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Start the week with...

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**Scottish devolution** What business thinks about it



### **Today's surveys** Queen's Awards Latin American mining Pages 7-14 and 37-40

World Business Newspaper

James Buxton, Page 23



FINANCIAL TIMES

## WTO near to deal on \$500bn-a-year telecoms market

The US, European Union, Japan and Canada moved closer to an accord in World Trade Organisation negotiations to liberalise the global telecommunications market worth more than \$500bn a year - leading to optimism that remaining problems could be settled by the WTO's deadline at the end of this month, after nearly two years of talks. Page 24; Quad trade talks, Page 4

G7 'optimistic' on world economy: The Bundesbank's unexpected decision last week to cut German interest rates has left Group of Seven finance ministers cautiously optimistic on the future of the world economy. Sluggish European growth was the main cause of concern at the meeting, held ahead of the spring meetings of the Inter-national Monetary Fund and World Bank. Page 24; Pledge on Russian nuclear safety, Page 2; Wolfen-sohn's task, Page 22; Editorial Comment, Page 23

German union warns on pay freeze: The union representing Germany's public sector work-ers warned it would not accept a wage freeze as part of government spending cuts and other measures to revive the economy. Page 2

Aflianz plans to invest \$500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, chairman of the German insurer Dr. Henning Schulte-Noelle said. Page 25

Group rivals world accounting body: The UK is to bead a grouping of the world's leading accounting standard setters, challenging the International Accounting Standards Committee which has pushed for international harmonisation. Page 5

italy goes to polls again: Italians voters went to the polls to elect the 13th government since the second world war, with a close result predicted by rival centre-left and rightwing alliances. Page 2

UK wins \$7.6m tool investment: The US's biggest machine tool producer Giddings & Lewis has chosen the UK for a new production line involv-ing an expected investment of about £5m (\$7.6m) over the next two years. Page 5

Banco Santander, Spain's leading bank, paid Pta50bn (\$400m) to become the biggest single pri-vate shareholder of electrical utility Endesa, which is 66 per cent government-owned. Page 27.

Call for limit on IMF gold sales: Belgian finance minister, Philippe Maystadt, wants a change in the International Monetary Fund's rules to limit the amount of the fund's gold reserves it can sell Page 5

Finnish train crash kills four: Four people were killed and more than 40 injured when a sleeper train from the north of Finland derailed in thick fog about 45km north of Helsinki.

### Israel eases Lebanese air attacks UK may retaliate Artillery barrage continues as dual peace initiatives delay ceasefire with ban

By Julian Ozanne in Jerusalem and David Gardner In Beirut

Israel eased its aerial ardment of Lebanon yesterday but continued its relentless artillery shelling as separate in-tiatives being pursued by France and the US delayed conclusion of a ceasefire.

The Israell air force was ordered to reduce strikes against targets across Lebanon, which have been criticised in Israel as ineffective against pro-Iranian Hizbollah guerrillas, But the army maintained its

artillery barrage, firing several hundred large calibre shells into Lebannn, and the Israeli navy initiatives which divided Israel

kept up for a fourth day its shell-ing of the coastal road linking Beirut to the south. Hizbollah guerrillas fired at least 20 Soviet-made Katyusba rockets into northern Israel.

The continued violence came despite the presence in the region of the foreign ministers of the US. France, Russia and Italy who are trying to arrange a ceasefire. Despite bopes that the four ministers might co-operate on a joint proposal, it became clear

from its Arab foes.

However, western diplomats said it might still be possible to get a temporary agreement "within hours" to halt the violence and allow the diplomats to negotiate a formal ceasefire. Mr Shimon Peres, Israel's

prime minister, said yesterday after meeting Mr Warren Christo pher, US secretary of state, in Jerusalem that despite the various diplomatic efforts, the one channel for negotiations was the

US, Israel's closest ally, "We shall not reject to see any. one ... hut we cannot have three agreements on the same issue

because this will mean no agree-ment at all," he said. Israel backs Mr Christopher's ceasefire mission while Lebanon, Syria, Iran and Hizbollah have endorsed the proposals of Mr Hervé de Charette, French for-

eign minister. The US proposal seeks to enhance the oral July 1993 under-standings which pledged both Israel and Hizbollah to cease attacks on civilians and restrict

on imports attacks to military personnel in Israel's occupation zone in southern Lebanon. of EU beef The US initiative also seeks to guarantee Ismel's right to return fire if it is attacked from civilian

By George Parker and Allson Maitland in Londor areas and attempts to get Syria to make formal commitments to guarantee the ceasefire. The

Mr Peres, facing May 29 elections, backs the US proposal because it will allow him to emerge with credit in front of the Israeli public. Israel also prefers

**Continued on Page 24** No short-term solutions, Page 3

UK government considering a total ban on imports of European beef in a move that could upset trade relations in the European Union. The British prime minister Mr John Major is said to be "incandescent" over the EU's refusal to lift the worldwide han on British beef exports, and is studying a

range of retaliatory measures. One extreme option is a ban on all EU beef imports to Britain, oa the grounds that other member states have also reported cases of BSE, or mad cow disease. Imports of EU beef from ani-

mals over 21 - years old have been subject to an effective ban since the UK prohibited cattle over this age from entering the food chain at the end of last month.

It appears the government is now considering a formal import han, covering meat from younger animals as well, which would be open to challenge by other EU countries or UK beef importers. Mr Major is said to be deter-mined to increase pressure on other member states to lift the export ban imposed on March 27 - even at the risk of causing severe political strains in the EU. While such a move would win favour with Eurosceptics in the ruling Conservative party, it seems certain to infuriate and bemuse Britain's EU partners at a time when the government and farm leaders are stepping up pressure for the ban to be lifted. Mr Douglas Hogg, UK agriculture minister, is due to meet Mr Franz Fischler, EU agriculture commissioner, in Brussels tomor-

### row to discuss measures the UK is taking to eradicate BSE. Shr David Naish, president of Britain's National Farmers'

# progress marred by Nato tension By Chrystia Freeland and Bruce Clark in Moscow

**US-Russia** arms

The US and Russia yesterday made progress towards resolving differences over two arms treaties as Moscow formally backed an international nuclear test ban. However, tensions between the

two countries surfaced over Nato's eastward expansion plans. President Bill Clinton said after five hours of talks with Russian president Boris Yeltsin that "real

progress" was made on the vexed issue of what sort of anti-missile defences are allowed by the 1972 anti-ballistic missile treaty. He also said the two sides moved closer to finding a formula

for the amount of armour that Russia may deploy in the Caucasus region under the 1990 conven-tional forces in Europe treaty.

The talks followed a weekend

the west over Nato enlargement could be resolved hy "a provision that no country may be accepted without Russia's agreement". His proposal contradicts the official western position that Moscow will not be allowed the power of veto over Nato's new members.

Mr Clinton sought to smooth over the incident, saying only there had been no changes in Washington's position on Nato expansion.

But Mr Yeltsin's uncompromising stance echoed the tough remarks he made on Saturday, during the G7 meeting, when he attacked the US for stationing nuclear arms on the territory of its non-nuclear allies.

Despite Mr Yeltsin's harsh remarks on Nato enlargement, G7 leaders took pains to enhance their host's political prestige. The G7 asked Mr Yeltsin to

ł

Rivals groups claim Delhi bomb: Two separatist groups claimed responsibility for a powerful bomh that killed at least 17 people, including two Britons, and injured 32 in New Delhi.

Egypt releases Cunard liner: Egypt has agreed to release Cunard's luxury liner Royal Viking Sun after receiving a \$23.5m letter of security from the ship's insurers covering claims for damage to Red Sea coral reefs which it struck two weeks ago.

Mexican wins third London marathon:

1.1.1



Dionicio Ceron of Mexico became the first man to win the London marathon three successive times, with a time of 2:10:02. Britain's Liz McColgan won the women's race in a time of 2:27:54. About 4,000 of the 27,000 runners needed treatment as temperatures reached 25°C (75°F).

European monetary system: In a week which saw the Bundesbank cut its discount rate to the lowest level in eight years, the order of currencies in the EMS grid remained the same. Austria, Belgium. Denmark and the Netherlands also cut their rates. The spread between currencies was also largely unchanged. Currencies, Page 41

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The clott shows ... member currencies of the exchange rate mechonism measured ogninst the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of ogreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which more in 0 2.25 per cent band.

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summit with leaders of the Group of Seven leading industrial nations designed as a showcase of the post-cold war amity between east and west. It offered Mr Yeltsin a valuable political boost ahead of presidential elections on June 16.

But yesterday's meeting was marred by Mr Yeltsin's very public reassertion of his opposition to Nato's eastward expansion. The Russian leader created an

embarrassing moment for his US guests by claiming the US had agreed to lobby western partners to be more sympathetic towards the Russian position on Nato.

"Nato expansion will not be speeded up, at our request, for some time. President Clinton promised to use his influence on his allies on this," Mr Yeltsin said at a joint appearance with Mr Clinton. Mr Yeltsin also said be boped

the dispute between Russia and

urge China to join an international ban on nuclear tests when he visits Beijing this week. Moscow formally backed the treaty over the weekend, hut winning Chinese support is seen as a more serious obstacle to international negotiations in Geneva. Mr Clinton also offered the Kremlin leader some relief from the increasingly strenuous criti-

cism western human rights organisations have made of the war in Chechnya.

Although Mr Clinton urged Russia to seek a diplomatic solntion to the conflict, he also insisted that Chechnya was part of Russia and drew a parallel between Mr Yeltsin's 16-month battle to keep Chechnya within the Russian Federation and the US civil war.

The summit participants issued a communiqué pledging to work together to improve international

\$65 values it at \$28.5bn, whila the margers on competition

Kuchma reiterated his promise to close the Chernobyl nnclear power plant by 2000. Moscow agreed to join an international ban on dumping nuclear

wastes at sea, a Russian practice as recently as 1993.

grounds. While local phone mar-

kets are being thrown open to

competition under the telecoms bill, the local companies - the

so-called Baby Bells - still have

Merger between neighbouring

Baby Bells is aimed partly at cost

savings through the elimination

of central office functions. However, some Wall Street analysts

are sceptical, pointing out that

much the greatest part of the Baby Bells' costs lies in maintain-

ing and servicing networks and

However, local phone compa-

nies are also heing driven to

extend geographically by the

threat from the long-distance

companies. AT&T in particular.

The long-distance companies are

now free to offer local telephony

as well as long-distance and wire-

Telecoms pact, Page 24

effective monopolies.

customers locally.

Editorial Comment, Page 23

# **Bell Atlantic and Nynex set** to announce \$50bn merger

Nynex's price of \$53 values it at

\$22.7bn. Any delay would be over

the relative valuations of the

New York-based Nynex and

Philadelphia-based Bell Atlantic

after AT&T, with sales in tele-

phone services last year of \$51bn. It is thought that Bell Atlantic

will chair the new company. Mr

source.

By Tony Jackson in New York

The mucb-rumoured \$50bn merger of Nynex and Bell Atlantic, the two regional US phone companies, according to the companies, is expected to be announced as early as today, according to US reports. This would eclipse the \$45bn merger of SBC Communications and between them cover the north-east US from Maine to Virginia. Their combined revenues last year of almost \$27bn would Pacific Telesis, announced earlier this month. put them second in US telephony According to press and wire reports. Bell Atlantic's board approved the merger on Saturday, while the Nynex board deliberated it yesterday. Neither com-pany would comment. chairman Mr Raymond Smith, 58,

lvan Seidenberg, 49, chairman of However. Reuter reported sources close to the deal, speak-Nynex, is then expected to sucing on condition of anonymity, as ceed him. The outbreak of mergers saying the companies were aiming for an announcement today. between phone companies fol-It is expected the merger would lows the passage in February of be effected by the exchange of the telecommunications bill libershares in both companies for alising the US phone industry.

Lee

those of the merged group. Bell AT&T and other long-distance Atlantic's current share price of companies are expected to oppose

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nuclear safety standards and Ukrainian president Leonid

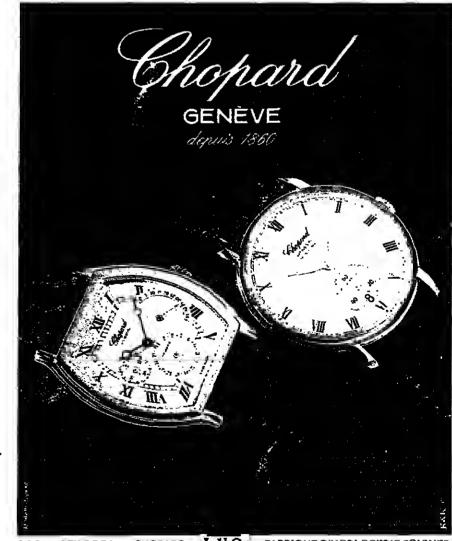
Safety tops priorities, Page 2



Bill Clinton (left) and Boris Yeltsin were presented with flowers by bystanders while touring the Kremlin yesterday. "Today we took yet another step back from the nuclear precipice," Mr Clinton said Picture: AP

Union, will seek to persuade Mr Philippe Vasseur, the French agriculture minister, of the need to lift the ban at a meeting today. UK ministers acknowledge that a ban on European beef imports would need to be legally water tight. They argue that Britain has taken steps to minimise the threat of BSE spreading to

**Continued on Page 24** Exporters win awards, Page 6



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### **NEWS: INTERNATIONAL**

Moscow summit agrees to pool resources in fight against smuggling of atomic materials and terrorism Safety tops leaders' nuclear priorities

In a concession to western

### By Bruce Clark and Chrystia Freeland in Moscow

The Group of Seven leading industrial nations and Russia have pledged to give absolute priority to safety in civil nuclear power generation and to pool their efforts to combat nuclear smugging and terror-

"Nuclear safety has to prevail over all other considerations," said a statement on power generation issued after the Moscow summit, which was billed by the host, President Boris Yeltsin, as an attempt "to turn the atom into a factor of co-operation, partnership and peace".

However the participants inherently unstable, as most skirted round their differences western experts believe. over what constitutes a safe reactor design - and over how pressure on Russia and best to dispose of the huge Ukraine to limit the damages quantities of uranium and plu-tonium that are being released payable by western companies engaged in nuclear engineeras nuclear warheads are dismantled.

The eight leaders reaffirmed industrial suppliers from their commitment to "the highest internationally recognised unwarranted action ... " The risk of incurring vast liabilities safety level" for the slting, design and operation of power in the event of an accident has stations discouraged companies from But their final statement undertaking ambitious nuclear avoided the question of whether the RBMK design -

Soviet Union. used in Chernobyl in Ukraine, The eight leaders promised as well as 11 reactors in Russia to "identify appropriate strateand two in Lithuania - is gies' for the management of

fissile material that was no longer needed for defence purposes and noted that the options included long-term storage, vitrification and conversion into mixed-oxide fuel (MOX) for use in reactors. Opinions within the G7 differ

ing, the summit communiqué called for a nnciear liability regime that would "protect over how best to guard or absorb the bomb-grade uranium and plutonium which are piling up in Russia. The west Europeans, led by

France, broadly favour the conversion of old plutonium into MOX, while US officials fear safety projects in the former this option will simply encourage extra plutonium production, and say the substance should as far as possible be taken out of circulation.

The US, which has launched an ambitious programme to buy up bomb-grade uranium, strongly opposes a project by a German laboratory to buy a small quantity for use in a research reactor.

On the delicate subject of nuclear smuggling, the eight leaders have agreed to work

much more closely together -while acknowledging, in a sop to Russian sensitivities, that each nation much take responsibility for its own stocks. Among the measures envisaged to combat nuclear smuggling, President Yeltsin and his guests agreed on "co-operative intelligence, customs, and law enforcement efforts to prevent

the transport and sale of diverted material". The agenda for the summit was set in part by a study headed by Professor Graham Allison of Harvard University which painted an

materials are stored in the former Soviet Union. "The leakage of weapons-

usable nuclear materials from the former Soviet Union is already occurring and could easily get worse in frequency and magnitude," reported Prof Allison, who said the lax security at some Russian installa tions was virtually an open invitation to thert by rogue states or terrorists.

**Big German union rejects** acutely alarming picture of the conditions in which nuclear

the north, where there was a

three-cornered fight with the

populist Northern League of

The Olive Tree was con-vinced it had won the propa-

ganda war in tha final stages. Opinion polls, whose publica-tion was forbidden during the

campaign bat which leaked

seat Senate but not the 630-

But polls have never been

electorate remained undecided

The uncertainty over the result is likely to produce an

anxious day on the foreign exchange markets today, with investors waiting to see if either of the two alliances can

bond market in the world after

the US and Japan. Financial

analysis said any prospect of a stabla government would

boost the lira and investment-

Yesterday was the first time an Italian election had not

been spread over two days with polling stations open.

from 7am until 10pm. A total

of 48.9m people were eligible to vote in an ageing popula-tion of 57m. The high number

obtain a clear majority. Italy is the third biggest

in the Italian market.

very accurate in Italy, espe-cially in the last two elections where almost a third of the

seat Chamber of Deputies.

until the end.

Mr Umberto BossL

Germany's public sector workers' trade union yesterday

By Peter Norman In Bonn

According to some estimates, a wage freeze could save the fedwarned the government it eral government about DM3bn would not accept a wage freeze next year. Savings by the fedas part of spending cuts and eral states or Lander would be other measures to revive the greater hecause personnel economy that are due to be costs account for 39 per cent of decided on this week. Mr Herbert Mai, head of the their expenditure. In an interview with Der

pay freeze

OTV trade union, was responding to reports that the government would seek a two-year freeze for civil servants and white and blua collar public sector workers. He appeared to hint at possible strike action.

"We will find ways, available to us as a trade union, if the zero round stays on the table," he said. In remarks to the DPA news agency, Mr Mai likened the wage freeze idea to the disas-

the Bonn coalition are due to

give final approval to govern-

ment plans for cutting public

spending, restructuring wel-

fare services and reducing tax-

ation in an attempt to improve

Germany's international com-

The idea of a two-year public

sector pay freeze has been pushed strongly by Mr Theo

Waigel, the finance minister, in

petitiveness and create jobs.

two-year pay freeze. Despite his rhetoric, Mr Mai's negotiating position has weaknesses. The German public sector employs nearly 2m civil servants in addition to the OTV's 3.24m members. Civil trous peace settlement imposed on Germany after the first world war. "A zero round is no servants have almost total job sacurity but they may not offer, it is a diktat," he said. strike and their pay is act by Negotiations on the OTV's narliament. If the Bundestag demand for a 4.5 per cent wage decided to freeze civil service increase for 3.24m white and pay, the OTV would come blue collar workers start on under heavy pressure to fall Thursday, when the parties in into line.

Moreover, recent pay settlements in tha private aector. where there is less tob security than in public service, have increased pressure for moderation in the public sector. Late last week, wage bargainers for 200,000 workers in the printing industry followed the example of the building industry and settled for pay increases of 1.85 per cent,

53

negotiations inside the govern-

ment over public spending cuts

of DM50bn (\$33bn) next year.

Spiegel news magazine. Mr

Kurt Biedenkopf, tha prime

minister of Saxony and a

senior member of Chancellor

Helmut Kohl's Christian Demo-

cratic Union, said he expected

the government would win a

INTERNATIONAL NEWS DIGEST

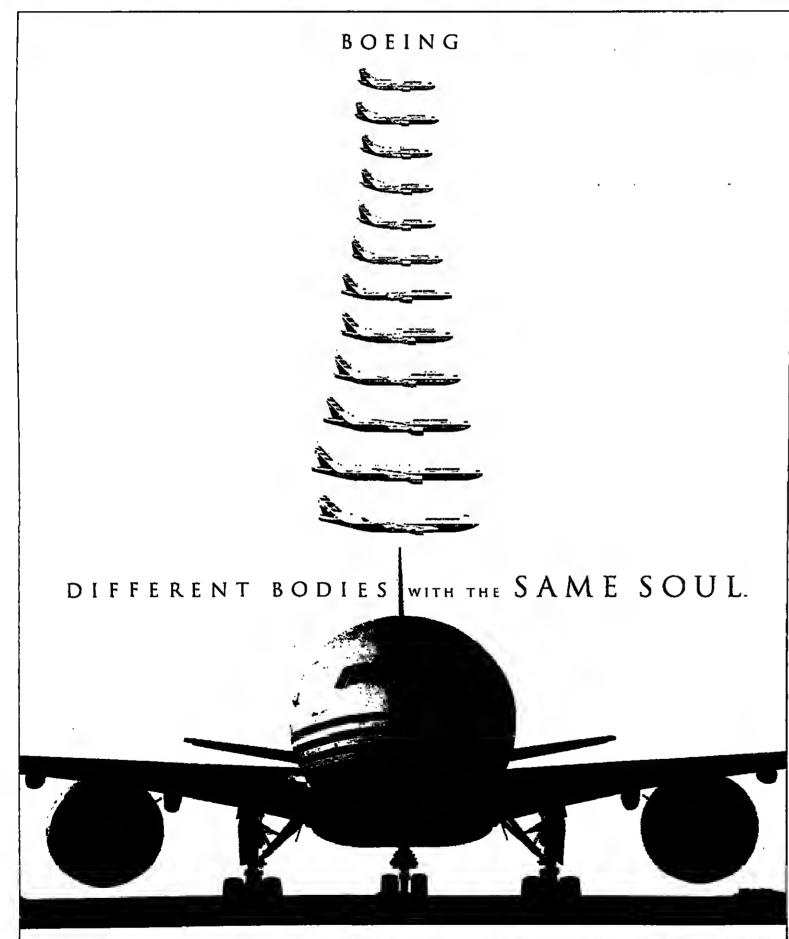
# **Poll setback** for Iran clerics

Iranian conservatives have lost their overall majority in parliament after a challenge by a newly formed band of reformists in bitterly fought elections that left no group in absolute control, analysis said yesterday. The conservative Combatant Clergy Association (CCA), they estimated, would have no more than 130 seats of the assembly's 270 seats - 20 fewer than at present - and the reformist Servants of Iran's Construction (SIC) 90-100 seats. The remaining seats were thought to have been divided among centrists, independents and those assigned to religious minorities.

The SIC was formed in January by senior officials and executives of state institutions in support of President Akbar Hashemi Rafsanjani's moderate policies. Parliament is a powerful and outspoken political institution in the 17 year-old Islamic republic and has slowed or blocked government



Ginlio Andreotti, ex-premier now on trial over Mafia charges, votes in Rome yesterday in Italy's general election



expect close su cinerano and outcome in poll

### UN SOLO SE By Robert Graham in Rome

and the right-wing Freedoms Alliance led by former premier Mr Silvio Bertusconi. The bulk Italians went to the polls yesterday to elect their 13th post-war legislature, with the of the marginal seats were in contending centre-left and rightwing alliances predicting close result.

With the outcome expected to be determined by some 50 marginal constituencies in a final result in Italy's third general election in four years is unlikely to be known before ont, indicated the centre-left could win control of the 315tomorrow. Voters were asked to chose

between two broad groupings - the centre-left Olive Tree alliance headed by Mr Romano

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of eligible voters included some 2.5m registered outside the country, few of whom were expected to be able to vote. Only those aged 25 and over were eligible to vote for Senate candidates.

Three-quarters of the seats were contested on a first-pastthe-post system introduced in the March 1994 elections. The remainder were allocated by proportional representation. Parties united to fight the first-past-the-post seats bat fielded candidates under their own banners for the proportional seats, whose rules favour the smaller groups who can win over 4 per cent of the vote nationally.

With support for the Olive Tree more concentrated in cer-tain constituencies for the chamber of deputies, the alliance could well win a larger share of the vote but a smaller number of seats. But even if the right wing gained a majority in the chamber, the inabil-lty to control the Senate in Italy's bi-cameral parliamentary system would make it cossible to govern. inn The election was caused by

the inability of the year-old government of Mr Lamberto Dini, composed of non-parliamentarians, to sustain a viable majority.

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 R F J

The CCA has used its current majority to delay reforms proposed by Mr Rafsanjani to liberalise the oil-dominated economy and lift subsidies on food and fuel. Reuter, Tehran

### Israel lifts key interest rate

The Bank of Israel raised its key lending rate by 0.8 percentage points to 14.8 per cent yesterday. Analysts said rising inflationary pressures gave the bank little choice, but some said it was too steep and others not enough.

Commercial banks reacted to the news by raising prime rate by 0.8 percentage points to 16.3 per cent. The stock market opened with losses and fell steadily throughout the day. The bank blamed the rise on relatively high increases in the

consumer price index in recent months, higher inflationary expectations and rapid growth in money supply, which meant the government might fail to reach its target of cutting inflation in 1996 to between 6 and 10 per cent. The consumer price index jumped 1 per cent in March to give an annual increase of 10.8 per cent.

Some economists felt the Bank of Israel should have raised interest rates even more. "The bank clearly had no choice this month but to raise rates. But 0.8 per cent is a compromise," said Mr Jonathan Katz, senior economist at Capital Holdings consultants. General elections scheduled for May 29 as well as the tense situation generated by fighting on Israel's border with Lebanon in the past 10 days make it difficult for the central bank to tighten monetary policy further, analysts said. Reuter, Tel Aviv

Groups claim New Delhi blast

Two separatist groups claimed yesterday to hava set off the powerful bomb that killed at least 17 people in Naw Delhi on powerful bomb that Knied at least 17 people in Naw Deini on Saturday in order to punish rivals and stop elections next month in troubled Kashmir. The blast toppled a lodging house in the crowded heart of the capital killing eight foreigners and injuring 32 people, police said. They said three Nigerian men, two French nationals and two Britons were among the eight foreigners who died.

A joint statement from the Islami Harkat-ul-Momineen and the Khalistan Liberation Force distributed to newspapers in Srinagar, summer capital of the northern state of Jamma and Kashmir, said the bomb had been triggered by remote control. "Some anti-movement activists, including some foreigners of friendly neighbouring countries of India, were holding a meeting when the bomb was exploded, killing all of them," it

The blast, one of the worst in tha city'a history, occurred a week before the start of India's general election. Voting begins on April 27 and ends on May 30 in Kashmir. Reuter, New Delhi

### Nigeria deposes head of Islam

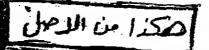
Nigeria's military government has deposed Alhaji Ibrahim Dasuki as Sultan of Sokoto for allegedly failing in his duties. Mr Dasuki is a former civil servant who became powerful in business and politics before he was installed as sultan in 1988 by former military ruler Ibrahim Babangida, a close associate.

By tradition, the sultan is officially head of Islam in Africa's most populous nation and unofficially a powerful force in Nigeria's roling northern clique. But since General Sani Abacha became head of state in late 1993 the influence of the suitanate has declined. Mr Dasuki has fallen out of favour, while rival traditional rulers such as the Emir of Kano are in the ascendant.

the ascendant. Mr Desuki heads the Supreme Council of Islamic Affairs, but the government has backed a new Islamic organisation. The latter has handled the crisis over the ban on Nigerian hajj pilgrims by the Saudi authorities.

Muhammed Maccido, whose father was the sultan before Mr Dasuki, was named as the new sultan yesterday, according to local journalists in Sokoto. Paul Adams, Lagos

1



# A design of the design of the

tions to get a ceasefire between Israel's war aims and last week's Israel and Hizbollah.

US plan to end the confrontation

direct talks," said a senior Arab official close to the negotiations. civilians, rather than the US plan which would have put an end to

However, by yesterday, he was Christopher and Mr Shimon Peres, more conciliatory, insisting that israel'e prime minister, said they

boped President Hafez al-Assad of

Syria would endorse last night. But Iran will still be able to wield influence in discussion of the longer-term security arrangements to follow, because of its influence on Hizbolleh. Neither Syria which uses Hizbollah as a prod to Israel in its own suspended peace oegotiations on Israeli withdrawal from the Golan Helghts - nor Iran will accept the disarmament of Hizhollah before Israeli withdrawal from south Lebanon.

# Arafat seeks to win crucial charter changes

By Julian Ozanne in Jerusalem and Alexandra Capelle in Da

Palestinian President Yassir Arafat faces e crucial test of political support for his peace accords with Israel this week when the Palestinian National Council, the supreme Palestin-ian decision-making body, convenes in Gaza for the first time since 1991.

Veteran Palestinian leaders. former hijeckers and people who once headed Israel's most wanted list will discuss Mr Arafat's request to remove articles from the 1964 Palestinian charter calling for the destruction of the state of Israel. This is a key Israeli demand for continuing the peace process and is seen as vital to the fortunes of Mr Shimon Peres, Isreal'e prime minister. at May 29 polls,

"parliameot-in-exile" will be meeting for the first time on Palestinian land. It will also be the first time the peace accords are submitted to democratic discussion by representatives of Palestinians inside and outside the territories. Changing the charter would consolidate the transformatioo

Poll setback

for Iran elei

of the Palestine Liberation Organisation from a guerrilla movement and would extrench Palestinian acceptance of e two-state solution in the histor-But the move faces strong

opposition, particularly from those who represent the views of up to 4m Palestinian refugees and who oppose the peace accords. Opposition has been bolstered by Israel's nine-week closure of its borders with Palestinian territories which has crippled the Palestinian econ-

omy. Damascus-based leaders such as Mr. George Habash of the Popular Front for the Liberation of Palestine (PFLP) and Mr Nayef Hawetmeh of the Democratic Front for the Liberation of Palestine (DFLP) have refused to end their exile to attend the meeting. They have also raised the prospect that their members on the PNC might boycott the meeting. Mr Farouk Kaddoumi, one of the most senior members of Mr Arafat's Fatah faction of the PLO, will also not attend.

Althoogh Mr Arafat will probably be able to gather enough support to push the changes through, such e boycott will deny legitimacy to what officials view as the PNC's most crucial meeting in PLO history. It would also expose the deep political divi-sions in Palestinian society over the peace process and the rift between leaders inside and

outside Palestinian territories. The "rejectionists" oppose the peace process, believing it cannot deliver Palestinians' minimum political aspirations, which include an independent state with Jerusalem as its cap-



Gaza City against the massacre in Lebanor

The PLO rejectionists have

often appeared hopelessly marginalised, increasingly unable to stamp their mark on the

armed struggle.

institutions being created.

ital and the right of refugees to tion has failed to come up with return. a convincing alternative.

When these sensitive issues are tackled in "final status" oegotiations, doe to begin in May and last three years, they believe Mr Arafat will he forced into big concessions to Israel which will lead to widespread disaffection.

But opposition boycott tactics may backfire. Mr Habash and Mr Hawatmeh have seen their support inside the West Bank and Gaza Strip crumble since the Israeli-Palestinian peace agreement was signed in 1993. Althoogh both remain respected, the public mood is overwhelmingly behind the peace process and the opposi-

# No more long-term short-term solutions, says Lebanon's PM

Mr Rafiq Hariri, Lebanon's embattled prime minister, wants more from negotiations to end the latest Middle East crisis than a halt to Israel's 11-day bombardment of his country. He wants Israel out of Lebanon altogether.

The country, struggling to rehuild its economy and its cohesion after the devastating civil warfare involving its 17 minority communities between 1975 and 1990, could no longer live with short-term and illusory colntions which keep turning the country into the region's battleground, Mr Har-iri said in an interview et his

tion is wrong. Why don't we

emerging political reality inside the Palestinian territories and unwilling to follow the Hamas Islamic Resistance beavy attrition from Shia Mos-Movement in cootinuing lem militias led directly to the Many supporters of the DFLP and PFLP inside the West Bank and Gaza Strip emergence of Hizbollah, the Shia fundamentalist force fighting the Israeli occupation. openly disagree with the boy-Israel says its 1993 air blitz of cott policy and have beeo south Lebanon and the current "Grapes of Wrath" operation ectively considering breaking with the Damascus leadership are intended to smash Hizboland participating in the new lah. It follows, in Mr Hariri's analysis, that "the problem" is,

first of all, the occupation, and Middle East peace agenda. By only then the resistance to it. shelling the UN refugee shelter "If they are looking for secuin Qana last Thursday, killing rity, it's right there," he said, in reference to the 1978 UN 10) people, mostly women and childreo, "Israel committed a crime" and cannot be allowed Security Council Resolution 425 requiring Israel to with-draw from Lebanon. Of Mr Shi-"to get away with it," be said. A US-Israeli plan linking a mon Peres, Israel's prime minceasefire to an end to Hizbollah ister, whom he has never met, he said: "He is in my country. action against Israeli occupa-tion appears to be giving way to a French-initiated plan to tighten up the 1993 US-bro-kered rules of engagement and he is saying that be is

Rafig Hariri tells David Gardner that Israel's occupation of Lebanon is the primary problem

has to accept that it cannot keep launching air raids, between Israel and Hizbollah. where both sides agree to stroying the country again refrain from targeting civiliang. The circumstances are thus propitious for Lebanon's prime minister to highlight the Israeli occupation as the root cause of the conflict. Neither Lebanon, oor Hizbollah, the country's only civil war militia which has oot been disarmed, is its own master. The civil war not only left Israel in possession of the south, but also left 35,000 Syrian troops cootrolling security in the rest of the country. Damascus arbitrates in Lebanon. Hizbollah operates with Syrian backing, and with financing and inspiration from

What Mr Hariri clearly Iran. senses is the opportunity to push the issue of Israel's occu-For both countries the mili-tia is a means of keeping up pressure oo Israel, and by pation of south Lebanoo up the

extension, the US, linder these circumstances. the proposition that an end to occupation will end resistance may be too sim-ple, particularly for Israel

Whether or not Mr Hariri can keep the Israeli occupation at the forefront of negotiations, he is articulating forcefully the one issue which unites all Lebanese, irrespective of sect, clan or religion - and this week as never before. The billionaire construction

tycoon has grown in stature in the past 10 days, using his wide range of international contacts artfully. He was scarcely known in Lebanoo until be belped negotiate an end to the civil war, and then, as prime minister, came to embody the country's attempts

to reconstruct. Before this crisis, Mr Hariri believed the occupation, the resistance, and indeed the task of national reconciliation after the civil war, were beyond Lebanon's resolution, and concentrated on physical reconstruction. The notion that you could have the latter without the former was already unravelling before Israel's bombs started hitting Shia villages and infrastructure which had just been replaced.

However the negotiations turn out, Mr Hariri's challenge will be to solidify the country's cobesion, inspired by opposition to Israel, so that it underpins the reconstruction effort. How far has that effort been set back? "I can't tell you oow," he said. "But the final answer will depend oo the result of this negotiation."

Beirut home. This method of partial solutry to solve the problem?" he asked. "We end up having to live with these short-term solutions for 18 years."

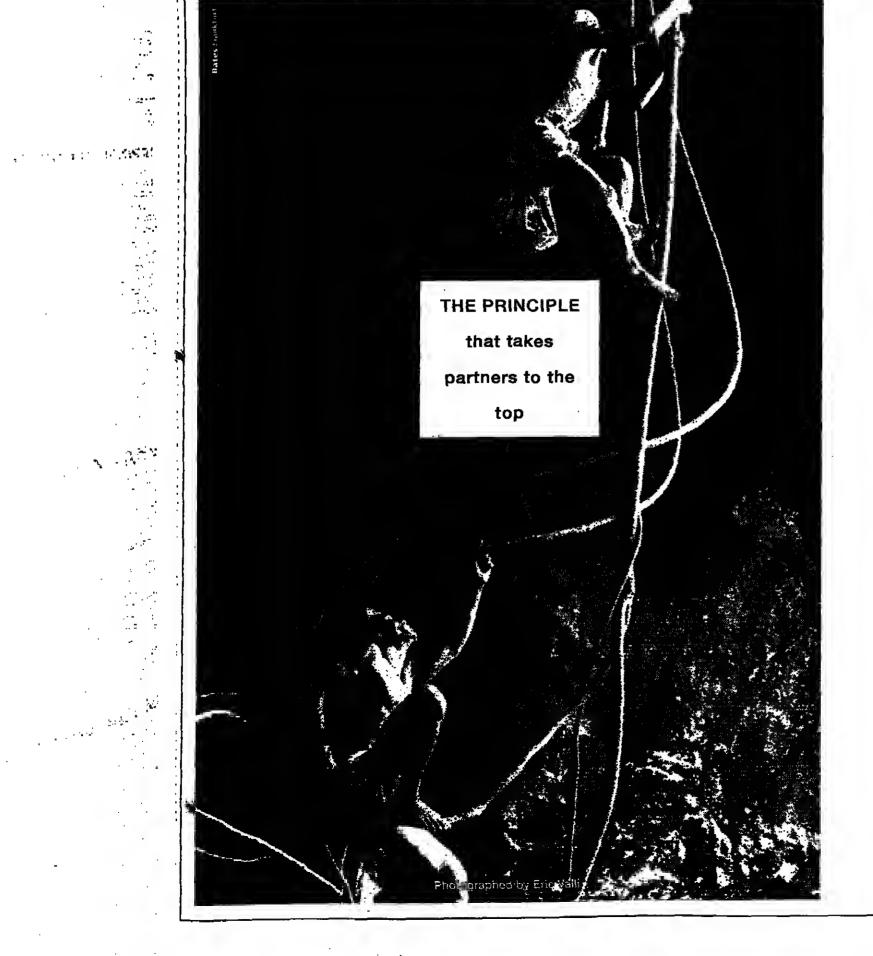
It is 18 years since Israel's first incursion into Lebanon in 1978. That was followed by a full invasioo and the destruction of much of Moslem West Beirut in 1982, and Israel's sub-sequent creation of its "security zone" in sonthern Lebanon, occupying 12 per cent of

The 1982 invasion and Israel's pull-back by 1985 under

defending himself. "Enough is eoough. Israel

the country's territory.

and again as it has done for 18 years. The Israelis cannot be talking about peace and making war at the same time. They have to change their methods." Israel "made e big mistake invading Lebanoo" in 1982 and intervening in the country's tribal wars, he said. "They got used to playing the Lebanese game and got sucked into the quicksand," leaving south Lebanon as Israel's only active war front after five years of peace deals with its Arab oelgbbours. Mr Peres, be insisted repeatedly, was also making a "mistake" with the current assault.



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### **NEWS: INTERNATIONAL**

# Attempt to calm investment rule fears

### By William Dawkins

The world's four top trading powers yesterday agreed that the World Trade Organisation should discuss setting international rules on the treatment of foreign investment.

The decision, at the Quad trade meeting in Kobe yesterday, is intended to assuage concerns of developing countries, which fear that an international investment accord heing negotiated by richer countries in the 25-nation Organisation for Economic **Co-operation and Development** will be imposed on them.

The trade ministers agreed to set up an informal working group, including developing nations, to study possible WTO rules on the fair treatment of foreign investors, with a view to establishing a formal group at the next WTO ministerial meeting in Singapore in December

Officials said the group was not intended to supplant the OECD negotiations, but merely to ensure that developing countries' concerns were beard.

The Singapore meeting will also debate labour standards. Controversy broke out over this yesterday, when the US voiced concern that countries with low labour standards were attracting more than their fair share of investment. However, the EU maintained that labour standards should be dealt with in the International Labour Organisation as a human rights problem, rather than as a trade issue. Quad members also agreed that the Singapore meeting should debate the possibility of setting global rules for fair competition, an increasingly important part of international trade relations, Diplomats said the aim would not be to set up a world competition authority, but to seek agreement on common rules, backed hy a dis-

nutes mechanism.

# Brittan's insistence on access to Japan's chip market rebuffed at Quad trade talks EU and US clash over global IT pact

### By William Dawkins in Kobe

The European Union has clashed with the US hy warning it will support an ambitious plan to dismantle world trade barriers in information technology products only if it gets agreement on fair access to Japan's semiconductor market first. The ultimatum, delivered to

weekend meeting of trade ministers of the hig four Quad trading powers - the US, the EU, Japan and Canada - by Sir Leon Brittan, Europe's trade commissioner, met a clear rebuff from Ms Charlene Barshefsky, the acting US trade representative. She reiterated that Washing-

ton was seeking renewal of a five-year-old bilateral semiconductor accord with Japan, due to expire on July 31, which reserves 30 per cent of Japan's chip market for foreign supptiers. The EU has complained that the pact discriminates

against European suppliers.

Brussels also wants to extend the proposed global information technology agreement (ITA) to other sectors. snch as pharmacenticals, so that Europe would not be unfairly disadvantaged by dropping its high tariffs on electronic components.

But Ms Barshefsky argued that the ITA, originally a EU-US initiative, must stand o fall on its own merit. She atrongly resisted any attempt to link moves to cut trade barriers in semiconductors and information technology, and pointed ont thet the ITA had strong support from information technology companies in all four Quad nations. She accused the EU of exhorting an end to the bilateral chip pact at one moment and seeking to be included in it the next

The EU was only prepared to remove import duties on elec-tronic components "provided that access to the market for



Charlene Barshefsky (right) greets (from right) Shunpei Tsukahara of Japan, Art Eggleton of Canada and Sir Leon Brittan

semiconductors is addressed and especially access to the Japanese market", Sir Leon said. Tha EU had to be involved in a new semiconductor accord, whether it was governmental or - as Brussels would prefer - between industries. Access to Japan's semiconductor markat had to be "substantial, effective and nondiscriminatory", he said. aenior EU official Α

explained: "You can hardly expect us to lower our tariffs without being satisfied that we have effective and non-discriminatory access to the Japanese market." Japanese officials did not rule out the EU's request for participation in a semiconductor agreement.

Qnad members agreed to push ahead with negotiations on an ITA despite the EU-US dispute. However, the US came

tion in June, just a month under fresh pressure over the weekend to compromise on its insistence on a renewed bilateral intergovernment semicon-

ductor pact. Mr Shumpei Tsukahara, Japan'a minister of international trade and industry, declined a US request for government talks on the grounds that he would prefer first to see the outcome of industry-toindustry talks, dne for comple-

before expiry of the pact. Tokyo wants to let the semiconductor deal expire on the grounds that the pact has exceeded its task, bringing the actual foreign share of the Jap-anese chip market to 30 per cent, and that Japan dislikes being asked to set official import targets, against the spirit of WTO free trade rules. **Observer**, Page 23

presidential nomination so early in the election year. It was how US ELECTIONS best to keep November 5 his campaign for the White Honse alive and kicking during the long months before the party conventions in August. His answer was logical enough - and forced by the reality that he had virtually exhausted his allotted \$37m in primary campaign funds while President Blll Clinton, his November opponent, still has

Senator Boh

Dole always

knew he would

have a prob-

lem after sew-ing up the Republican

Dole pays

price of

battle

fronts

on two

INC. So he decided to use his perch as Senate majority leader to wage legislative battle against Mr Clinton focusing on those issues most likely to interest the electorate in the campaign proper. This is a 20th century first - no major-ity leader has previously taken on an incumbent president.

\$16m to spend over the sum-

Bnt the first week of the new session on Capitol Hill US officials say China has has merely demonstrated how difficult it is simultaneously to try to run an unruly Congress and a national campaign. That was merely underlined in last abuses and to improve market access for education and enter-Friday's Los Angeles Times national poll, which gave Mr They have made it clear heightened Chinese efforts to Clinton a hefty 55-37 point lead and showed growing disstamp out piracy will be an important consideration when affection with the Republican majority in the legislature.

In that week Mr Dole suf-fered defeat and embarrasswhether to renew China's Most ment by turns. He saw his own tus in the US. A decision on MFN, which accords China amendment to a healthcare insurance bill voted down in the Senate. He said he would press the cause - the creation of medical savings accounts in the next step of joint conference committee, but that may come only at the cost of sacrificing a bill that enjoys broad

bipartisan support. Most stinging was tha fact that the motion against these accounts, seen by critics as favouring the rich, was proposed hy his friend and fellow Republican from Kansas, Senator Nancy Kassehaum.

Mr Dole was also forced to pull from the Senate floor another high-priority item, the immigration bill, so as to

avoid a vote on increasing the

federal minimum wage, a

# **Beijing 'steps up fight' against pirate CD makers**

### By Tony Walker in Beijing

China says it has intensified its fight against widespread counterfeiting of information and entertainment products and has closed seven pirate compact disc producers recently. Beijing's claim that it is moving against intellectual property rights violators is an apparent attempt to forestall threatened US sanctions against more than \$1bn of Chinese imports. Mr Duang Ruichun, a senior

official in the State Council, or cahinet, told the official China Daily Business Weekly

newapaper that China was ment to curb abuses of intellecimplementing lawa to stamp tual property rights (IPR). out violations of patents, trade-She is understood to have marks and copyrights. He did not provide details of the outlined steps which needed to be taken to persuade the US

### Attempt to forestall US sanctions against more than \$1bn imports

targeted pirate CD factories. Ms Charlene Barshefsky, acting US trade representative, told Chinese officials in Beijing this month that US patience was wearing thin on China's producers. indifferent record in implementing a 12-month old agree-

that China was serious in its efforts to combat piracy of CDs, video games and computer software. These steps included the closure of pirate

Ms Barshefsky also warned that the US was considering

imposing punitive tariffs on Chinese imports more or less equivalent to losses suffered by US producers of pirated information and entertainment

products. US officials say some 34 pirate CD factories have been operating in China, with pro-duction capacity of 90m discs a year. Mnch of this capacity was devoted to exports, with Hong Kong a major distribution point.

"China's enforcement authorities have yet to target major manufacturers and distributors of pirate prod-ucts...and China has not yet

opened its markets to our creefforts is just unreasonable. ative industries," said a senior not done nearly enough to live up to undertakings made in February 1995 to both curb IPR US official in February.

Mr Duang, director general of the State Council's intellectual property executive confer-ence, said China had sent official supervisors into "every CD production line" to prevent piracy. It had also cracked down on karaoke bars which were major consumers of pirate products.

"It's safe to that few other countries have expended so much energy on dealing with the IPR problem as China," said Mr Duang, "Ignorance of such



ten's democratic reforms - as Councillor, said in London, where she is lohhying politicians ahead of a House of Lords debate on Hong Kong China has said it will install a provisional LegCo with a mandate to run for up to a this week.

Protests at the abolition of LegCo could mar the handover celebrations and force



tainment products.

the administration decldes

Favoured Nation trading sta-

preferential tariffs, is due by



By Peter Montagnon, Asia Editor

Britain and China made "important progress" on securing the future of Hong Kong's civil service in talks over the weekend but failed to reconcile their differences over China's plans to abolish the territory's Legislative Council.

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counterpart in Holland. Tha agreement appaars finally to lay to rest fears that civil servants might ba

required to submit to loyalty tests after the handover. Such fears have prompted a serious slippage of confidence in Hong Kong in recent weeks, hnt Mr Rifkind said Mr Qian Qichen, China's foreign minis-

and to the government to be installed by China thereafter. soon as it takes over. Agreeement hy China to recognise the sole authority of Governor Chris Patten, the Legislative Council and the UK Privy Council until the handyear while it revises Mr Patten's reforms, a move which over should provide further reassurance, Mr Rifkind said. many, including Hong Kong's



Rifkind: Abolition of LegCo unacceptable and nunecessary hour meeting with his Chinese

The two countries agreed ter, made no suggestion that that all Hong Kong civil any such tests would he required. The crucial point was thet servants should stay on after Hong Kong reverts to

China next year, Mr Malcolm Rifkind, UK foreign secboth countries were committed to a politically impartial civil retary, said after a twoservice, he said.

ety among Hong Kong legisla-It should be loyal and dedi-

expressed fears that China's transitional institutions might seek to assume the role of a parallel government ahead of the handover. But there remains deep anxi-

Hong Kong legislators have

bar council, regard as seriousl questionable on constitutional grounds. For its part. China maintains said.

Mr Patten's reforms were themselves unconstitutional. "This attitude is going to cause great trouble for all of

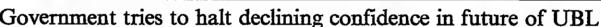
ation when the government

decided to sell tha bank.

China to impose restrictions on foreign press reporting as soon as it has taken over, she

The abolition of LegCo was "neither acceptable nor neces-

sary", Mr Rifkind said after Qian Qichen: No suggestion of Saturday's talks. requiring tests of loyalty



# Pakistan replaces bank's board

By Farhan Bokhari in Islamabad

Pakistan'a central bank, the State Bank of Pakistan, has replaced the entire board of United Bank (UBL), the second largest public sector bank. The move is widely seen as an attempt to halt declining confidence in the future of the bank, which was sold last month to Saudi Arahia's Bisharahil group. The transfer of management to UBL's new buyers, however, has been delayed, after some of its depositors got a court order

blocking the sala on the

grounds that depositors' inter-ests were not given consider-

Mr Muhammad Yaoub. Pakistan's central bank gover-Pakistan. nor, told a news conference on Saturday at the bank's head-quarters in Karachi: "The new management has been directed to initiate steps to ensure prudence in lending... and to reduce administrative costs of

staff vatisation, due to the court order, did not further harm

UBL's financial position. The bank has more than 1,600 branches, mainly located in

UBL's profits have haan badly battered by widespread inefficiency and growing burdens caused by huge debts that have gone bad. Last year its pre-tax profits dropped to only Rs7m (\$203,000) against Rs59m a year before and Rs275m in 1993. In 1995 up to 48 per cent of UBL'a expenditure went on

The bank's troubles have also mounted due to some Rs25bn in bad debts. These include loans in the form of political patronage since banks were nationalised in Pakistan

in the early 1970s. Since then, many borrowers have paid nei-

ready to veto a budget bill if Republicans insisted on adding conditions weakening the enforcement of environmental regulations. It was an easy threat, since public opinion, as well as many moderate, Republicans, see reasonable protection of the environment

An overall seven-year balanced budget agreement is also theoretically still on the table, as are some of its component parts, reforms of the major social safety net programmes. The prohlematic calculation for Mr Dole is whether be is better off with no agreements, blaming Mr Clinton for the failure but running the risk of being blamed himself, or with them, which means he would have to share credit with a president whom

Capitalising on Mr Dole's dilemmas, some Democrats, such as Senator Jay Rockefeller of West Virginia, have mischievously proposed that he stand down as majority leader to concentrate on running for president.

All is far from lost for Dole. The consensus view is that his deficit in the polls must narrow as November approaches. But Capitol Hill, his milien, is proving a steeper slope to climb than he might have imagined.

Jurek Martin

Islamabad to seek up to \$2.7bn aid

### **By Farhan Bokhari**

Pakistan is likely to seek up to \$2.7bn in new external aid at the two-day annual Aid to Pakistan consortium meeting starting in Paris today. The government is keen to see new

promises from donors as an expression of confidence in the country's economic reforms, in addition to obtaining commitments ahead of the country'a 1996-97 bud-

Pakistan is expected to emphasise what it sees as a number of recent stabilising factors in the economy. According to government estimates, annual economic growth is expected to be more than 6 per cent in the year ending in June, up from around 4.7 per cent the previous year, and the budget deficit below 5 per cent of gross domestic product, down from around 6 per cent a year ago.

The upward growth trend is largely due to the better-than-expected cotton crop this year, which recovered from a threeyear crop loss caused by widespread pest attacks.

Pakistan hopes to earn an additional \$700m from new cotton exports.

Cotton is vital for the Pakistani econmy because almost 60 per cent of export income comes from cotton products. Some officials also expect a recovery in textiles due to cheaper raw cotton prices. This would help the sector to recover from losses caused by escalating raw material

costs in the past couple of years. 'All the signs are that we'll be maintaining more than 6 per cent

growth and the leading sector is going to be agriculture'

Mr VA Jafarey, the prime minister's adviser on finance and economic affairs, says: "All the signs are that we'll be maintaining more than 6 per cent growth rate and the leading sector is going to be agriculture.'

However, Pakistan is still faced with a number of problems. Many of its donors

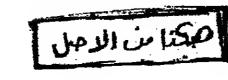
are concerned at the governmant's increasing borrowings from the domestic banks to support expenditure. The governmant has ao far horrowed more than Rs60bn (\$1.7bn), up from a target of Rs28bn for the entire fiscal year.

There are also growing worries about a widening trada gap because of a significant increase in imports during the first nine months of the current fiscal year. According to estimates released last week hy the federal hureau of statistics, a government agency, the trade gap widened to \$2.69bn in the nine months, up from \$1.63bn for the same period last year. Mr Hafeez Pasha, a former commerce minister said: "The important issues that will come up [at the consortium] will be issues like bank borrowings and Pakis-

tan's international trada position." Many western economists concede that they are concerned over the growing trade deficit, despite a 10 per cent devaluation of the Pakistani rupee in October last year. However, government officials insist that the results of the devaluation should start appearing in the next few months, as there was bound to be a time lag between that measure and growing export income.

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the bank." Mr Yaqub also said the change of management would neither impede nor speed up the privatisation process. However, independent bankers said the action was probably taken to ensure that the delay in prither the principal nor the interest Mr Nasir Bukhari, a leading Karachi stockbroker whose

company deals in a large number of bank shares, said yesterday: "The bad debt problem of the UBL should first be resolved by the government. using the authority of the state, and then the hank should be offered for sale."

Many other analysts are convinced that UBL will emerge as an important test case in assessing the government'a ability to restructure an important financial institut

Democratic cause. But hy the end of the week, Republicans, alive to their own re-election prospects, were jumping on the minimum wage handwagon and Mr Dole was half-

conceding that some increase might be inevitable. Comparable problems loom all across the legislative agenda, as Mr Dole tries to balance conservative demands and the needs of a more centrist campaign. Even agreeing

on a budget for the current fiscal year, now over half over, remains franght with difficulty. Yet another temporary funding resolution may be needed this week when the current one expires so as toff avoid another partial closure of the government.

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Vice-President Al Gore warned that Mr Clinton stood as a potent electoral issue for Democrats and Mr Clinton.

he is seeking to replace.

FINANCIAL TIMES MONDAY APRIL 22 1996 \*

In discussions with Japan,

### **NEWS: INTERNATIONAL**

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Finance ministers to scrutinise policies on exchange rates and other key issues Drive to set statistics IMF checks out nations' progress standard wins converts

ssues as diverse as Indone-sian fiscal policy, Britain's inflation target and French CESS

labour market reform may all crop up at the International Monetary Fund's key policymaking committee in Washington today, as it scrutinises the economic policies of member governments. The Fund was urged to keep

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for example, Fund staff argued that the real effective exchange a closer eye on national eco-nomic policies after Mexico's rate for the yen was 25 per cent overvalued relative to trend early in 1995. But subsequently financial crisis in 1995. As part of this effort, the DAF's the yen has devalued to a point "interim" committee of finance "that no longer seems misaministers and central bank ligned," the Fund argues. governors will try to draw gen-eral lessons from the confiden-In Europe, meanwhile, the undervaluation of the Italian lira was "evident a year ago and [is] still apparent at pres-ent despite considerable appre-cietion in the amond hold at tial "articla four" consultations which Fund staff have carried out with governments over the Dast year. ciation in the second half of

According to a document written by Fund staff in prepa-1995". Fund staff have told Italy sition for today's meeting, the surveillance discussions will that further efforts to cut gov-ernment borrowing would probably boost the currency. centre on four key topics: • Exchange rate misalign-ments in the industrial coun-The Fund and the British authorities meanwhile agreed last November that the

 Labour market policies in pound's depreciation early last the industrial countries. • Inflation and money supply year was not justified by eco-nomic fundamentals. The IMF targets in the industrial counboard agreed subsequently tries.

 The mix of policies adopted by fast-growing developing On industrial country

exchange rates, the document notes that "both the staff and the board have been more forthcoming in identifying possible misalignments among major currencies and in

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Maystadt seeks cap on gold reserve sales

Maystadt: proposing alteration to articles of agreement nor row

expressing concern about tur-bulence in the adjustment pro-eral steps, against a backdrop of below-trend growth, weaken-This was true when the ing export markets, and a mod-Fund assessed the overvalueration in input price inflaation of the yen and D-Mark against the US dollar early tast

tion," the document notes. In discussion of labour man ket policies, the UK and New Zealand were praised for

Reports by Robert Chote, Economics Editor, in Washington

reforms which have reduced retorms which have reduced structural unemployment. But in Germany, "the Fund expressed concern about the lack of progress in tackling structural unemployment, and was disappointed that government proposals to limit the duration of unemployment assistance had not been approved".

The Fund argued that the minimum wage should be cut in certain areas, that assistance should be better targets and that labour taxes and social benefits should be reduced

It suggested similar measures in France. On monetary policy, the

Fund said inflation targets were appropriate in some countries and money supply targets in others. But whatever the framework, inflation had generally remained low because activity was below potential. Fund staff questioned the use of "somewhat ambiguous targets, such as Australia's objective of achieving price stability on average over the business cycle or, as in the UK. announcements of a range of likely outcomes in addition to an objective". These countries

dence.

medium-term target".

the Fund recommended an

early tightening of financial policies. . . to avoid the possible need for more disruptive policy actions at a later stage," the report says. "While accepting the view

reports.

that fiscal policy had a role to play, member authorities were often not convinced of the need to tighten further." In Indon-esia, for example, the Fund remains concerned that the were also urged to adopt greater central bank indepenbudget is not tight enough to The IMF has also welcomed

growing economies. But "there

was not always agreement

between the staff and authori-

ties about the extent to which,

or even whether, an economy was overheating," the Fund

"For most such countries,

redoce demand pressures. Recognising the tension between the need to raise increased transparency of monetary policy in many countries interest rates to restrain activ-ity and the danger of encouragthrough the issue of official reports or minutes of monetary policy meetings. "However transparency alone is not suffi-cient as demonstrated by the UK where, despite a higher ing speculative capital inflows in these countries, the Fund has typically advised tighter fiscal policy and allowing the exchange rate to rise. But some countries have introduced or degree of transparency relative to other countries, inflation expectations remain above the extended capital controls, "notwithstanding the Fund's advice In its surveillance of developto refrain from such measures ing countries, the Fund has except as a last resort and tempaid particular attention to the porary response' danger of overheating in fast

sohn's task. Page 22

About 25 countries bave even if they are not able to indicated that they wish to subscribe to the International Monetary Fund's special quality standard for economic statistics, set up to help prevent financial crises such as that which afflicted Mexico in late 1994 and early 1995.

The initiative sets standards for the coverage, frequency and timeliness with which 17 categories of economic data are reported

Countries aspiring to the standard are also required to pre-announce release dates, to describe the methodology of calculation, to provide full public access to the data and to make it clear when government ministers see the numbers in advance.

Mr Jack Boorman, the IMF's policy development and review director, said at the weekend that he hoped the standards would help both governments and the financial markets to identify economic strains before they had chance to develop into fall-scale crises

Countries meeting the stan-dards will be identified on an electronic bulletin board. This will open on August 31, followed by a 26-month transition period during which countries can subscribe to the standard 0

meet it fully. Ms Carol Carson, the IMF's

deputy director of statistics, while giving the country an said that not one country yet opportunity to argue its case before deciding whether to met all the requirements. Officials and financial marremove it.

ket participants welcome the "The way we have though: this through, we would bepe scheme, but foresee problems when countries fall short of the we would never get to a situstandard. ation where we would have to "To serve the purposes for

which the standard is designed, it will be necessary to signal if a subscribing member is no longer fulfilling the expectation that it is observing the standard," the Fund says. This will be done by removing the country's entry from the bulletin board.

However, Mr Boorman conceded that removing a country - or even the rumour of its removal - could help trigger the sort of crisis which the scheme was inteoded to guard against.

Removing a country will also be a lengthy and complicated process, even though the Fund mises to act in "a timely ashion" An underperforming country

will first discuss its problems with Fund staff and the executive director who represents it on the IMF board. In the event severe and persistent non-

think about the 'atom bomb' approach." Ms Carson said. But Mr John Lipsky, chief economist at Salomon Brothers in New York, said this would pose problems; "Inevitably the Fund would get drawn ioto the questioo of whether it was vouching for this data or not. If

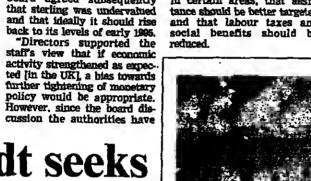
the only option is the 'atom bomb' option to remove, what responsibility will the Fund bear in the meantime for the data?" The IMF's hope is to provide

observance", the board would probably consult a panel of independent statistical experts

information from which finan-cial market participants can draw their own cooclusioos Failures to produce particular pieces of data oo tune will oot flagged specifically on the bulletin board, for example, but left for market participants

to infer. "But I don't think in practice that this will exempt the Fund from some sort of implicit vet-

ting issue." Mr Lipsky warned.





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limited part of the Fund's \$40bn gold stock to finance an extension: of its soft-loan facility for poor countries would not establish a precedent for gold sales for other purposes. Mr Theo Waigel, the German finance minister, reiterated his opposition to gold sales yesterday, arguing that it would "send the wrong signals". Germany and some other coun-tries argue that gold sales and participation in debt relief schemes would undermine the Fund's integrity.

that selling and investing a

Amending the articles to limit gold sales would require parliamentary approval in many of the Fund's 181 member countries. But Mr Maystadt believes it should form part of a package with a variety of other measures that will have to be submitted to the parlia-ments anyway. This package would include an increase in the Fund's share capital, an increase in the basic voting rights allocated to all member countries and a targeted allocatioo of "special drawing rights", which allow national aothorities to borrow foreign exchange reserves.

Mr Maystadt will make his proposal at today's meeting of the Fund's key "interim" committee of finance ministers and central bank governors, which he chairs. But the package would not be put in place until next year at the earliest. Mr Michel Camdessus, the

MF's managing director, will raise the issue of gold sales at the meeting as part of a

Mr Philippe Maystadt, the scheme to put the Fund's so-called "enhanced structural Belgian finance minister, will today propose the possibility of adjustment facility" (ESAF) on a permanent footing. Tha ESAF allows countries which altering the international Monetary Fund's articles of agreehad a national income below ment to place a strict limit on the amount of the organisa-\$365 a head in 1994 to borrow tion's gold reserves it can sell. money at a heavily subsidized interest rate of 0.5 per cent. Mr Maystadt believes this with repayment only required may provide a way to reassure after five to 10 years. countries such as Germany

ESAF will become self-sustaining in 2005 as repayment of old loans provides fresh resources, but extra money will be needed to keep the scheme running over the preceding five years. Mr Camdessus will argue that the Fund can borrow, or provide from its own resources, around \$1.5bn a year over that period to be lent to ESAF-eligible countries, but that a further \$3bn or so will be needed during the five years to pay for the subsidy element of the loans. Mr Camdessus will propose

that half the money needed for the subsidy be raised by selling 5 per cent of the Fund's gold reserves, investing the pro-ceeds and using the income. The remaining money would have to come from individual member governments.

Countries such as the US and UK are expected to argue that it is unrealistic to expect further bilateral donations to perpetuate ESAF, and that the Fund should come up with the money itself. Officials expect the UK, for example, to propose selling 5 to 10 per cent of the Fund gold and to use some of the money already being put in reserve for the period when ESAF becomes self-sustaining

to help pay the subsidy in the intermediate years. Mr Candessus may also pro pose that the Fund could help pay for bilateral contributions indirectly, by refunding money that has already been put in a

special BMF account to cover bad loans to countries that had just paid off their arrears.



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and Business Class, during the summer. A glass or two should help you through your next difficult docated

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### NEWS: UK

# Global accounting body challenged

### By Jim Kelly Accountancy Correspondent

The UK is to lead a revitalised international grouping of the world's leading accounting standard setters in a move designed to increase the Influence of British accounting on the search for a global accounting code

The development will be seen as a significant challenge to the International Accounting Standards Committee (IASC) which, under the leadership of Sir Bryan Carsberg. has successfully pushed for-

ward international harmonisation. Sir David Tweedie, chairman

of the UK's Accounting Standard's Board, has scoepted the position as the first chairman of G4 - a previously informal grouping of the UK, US, Australian and Canadian accounting standard setters.

The move will be seen as an attempt by the world's leading standard setters to increase their influence on Sir Bryan's organisation during a two-year period in which the IASC is attempting to write a global accounting code.

accountant. "G4 does not want organisations in which everyone sits around the table chatting. This is a shot across the bows for Sir Bryan."

Sir Bryan's organisation, which is based in London, has an agreement with the world's leading securities regulators to produce a set of accounting standards which could be endorsed by March 1998. If successful, this project,

offers big enterprises the chance to use one set of accounts throughout the

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"This is a big challenge to world. At present companies the IASC," said one leading have to produce separate accounts to enter some markets, such as those in the US. The G4, which has been in existence for two years, hopes that it can increase its influence on the IASC and prompt it to streamline its organisation by the formation of an "inner cabinet" which would tackle complax accounting issues which could later be endorsed by other members. While members of the G4 are supporters of international

harmonisation they believe the present structure of the IASC

Number of weeks' samings to buy an entry-level Fiesta

Working to drive

is cumbersome and allows too much influence to countries which have littla technical

input or expertise. If unsuccessful in its attempts to influence the IASC, some observers believe G4 might try and promote harmonisation independently of the IA\$C. It has been suggested that the US Financial Accounting Standards Board might try to become an international body itself by inviting a European or Japa-

nese member on to the board. Lex, Page 24

# Lower labour costs aid investment

By Peter Marsh in London

Giddings & Lewis, the US's biggest machine tool producer, has decided on the UK rather than Germany to base European production of a new fam-ily of tool, partly because of the UK's lower labour costs. The investment in producing the company's RAM machining centre for sales in Europe will be at Giddings' Knowsley plant on Merseyside rather than its similarly sized factory near Stutigart.

Equipping the Merseyside plant for RAM production will be part of a £5m investment likely over the next two years, increasing annual output from an expected £50m this year to £80m in 1998. Employment is expected to increase by 50 from the current 320. The investment adds to

recent evidence that lower employee costs, coupled with the weak pound and moves towards flexible working methods, have put the UK in a favourable position to win investments by multinational manufacturers considering stepping up their European production operations. Giddings is based in Fond du

Lac, Wisconain, and has annual sales of tools of \$730m. It said Knowsley had "the best set up" for production of the new machine tool.

The company said the UK's lower labour costs were one factor, although another was Knowsley's knowledge of the technologies involved with the RAM system.

In another move, Western Atlas, the US's second biggest machine tool producer, is considering expanding its produc-tion site at Keighley, West Motor industry academic Yorkshire, by 20 per cent. The factory is already on course for production of tools worth Professor Jonathan Brown said in the Sewells report that high new car prices had little to do with dealers, now on an aver-£38m this year.

Yamazaki of Japan, the age 5 per cent profit margin compared with an average of world's biggest machine tool producer, is also deciding on a "multi-million" expansion of its Worcestersbire plant which between 15 and 16 per cent in the 1990s. Europe's underlying problem with high car prices, will lift annual production hy he added, was that car workers roughly 20 per cent over the in Europe were paid more than their US counterparts but were next two years to just more than £100m.

less productive. Timing system set to take risk out of settlement By George Graham, large that even such a small Banking Correspondent probability becomes a large risk. Central bankers around British banks will today switch the world have become more and more concerned about this over to a new electronic system for handling more than and other risks inherent in the £26,000bn (\$39,500bn) of instannational and international paytaneous payments each year. Two hundred years ago ment system While central bankers in bankers in the City of London met in coffee houses to many countries have, since the 1980s, become more willing to exchange cheques in London's allow individual banks to fail, first formal clearing arrangethey have at the same time ments. As recently as last year, become more anxious that individual collanses should not bank messengers still gathered every day in Lomhard Street to rebound on to other banks swap cheques worth millions of pounds in a system called waiting for payment and damage the entire financial system. Town Clearing. Since 1984, however, the elec-This is the main reason we are adamant that payment tronic Clearing House Autoarrangements at the core of mated Payment System, or Chaps, has taken over the hanthe settlement system are able to resolve problems and are dling of high value payments, strong enough to withstand which banks transmit to each major failures," said Mr William McDonough, president of the New York Federal Reserve. other through a British Telecom data network, settling up with each other every evening. From today, interbank risk is But on Friday, clearing bankeliminated from the UK's ers and the Bank of England gave the go-ahead for Chaps to Chaps system, because the pay-ing bank will transfer money irrevocably and instantaswitch over this morning to a real time settlement system. Instead of waiting till the end neously to the receiving bank from its account at the Bank of of the day to settle up, banks will pay each other instantly England. That could aimply bave by drawing on accounts at the central bank. transferred the risk to the Bank of England; if a bank failed, it would end up with an The new system has been unpaid overdraft at the Bank. To avoid this, banks will have to supply collateral to the Bank by selling it securities at the start of each day to clock developed by the Chaps com-pany and the Bank in partnership, on time and to budget. But its importance to the smooth functioning of the British economy is so great that its up a credit balance. designers are nervous. "We, the UK, cannot afford any out-The ability to make instantaneous, final payments through ages," said Ms Merlyn Lowther, deputy chief cashier at the Bank of England Chaps also provides the missing link to enable instantaneous settlement for the gilts and stock markets, thus elimi-The system is not just a technating another category of risk nological improvement: in a stroke it cuts an entire catefrom the financial system. gory of risk out of the financial The extension of real time system, and offers the prospect settlement across borders.

Alvis named in cladding contract Alvis, the Midlands-based armoured vehicle manufacturer is negotiating a contract to provide blast proof cladding for a £200m (\$304m) new building to house Westminster MPs. A joint venture between Alvis and Seele the German clad-

UK NEWS DIGEST

ding manufacturer based in Augsburg, in Bavaria, has been named as the preferred bidder for the contract by the Parliamentary Works Directorate. The naw Parliamentary Building is being constructed above the site of a new Westminster underground station. Alvis has been chosen to work with the German cladding company because of its experience of fabrication of heavy aluminium used in armoured fighting vehicles. It, however, refused yes-terday to confirm whether it was bidding for the Parliamen-

tary contract. The choice of Alvis would be regarded as an important breakthrough by the British construction industry which has become virtually non-existent in the provision of glass and metal cladding for modern buildings, a sector dominated by continental European suppliers.

The French-US company, Harmon CEM Facades, is understood to have been the closest rival to the Alvis, Seele venture for the cladding contract. Gartners the German curtain walling company is also understood to have been interested. The total cost of the project has been estimated at £154m at 1982 prices. Andrew Taylor, Construction Correspondent

### Meat exporters win awards

Two highly successful UK companies have won covered Queen's Awards for Exports for meat they can no longer sell abroad. Associated Beef Processors and Eurostock Meat Mar-keiing were told of their awards just as the EU recently refused to reconsider its ban on British beef exports.

"The bittersweet irony...did not escape our export team," said Mr Richard Cracknell, ABP's chief executive. "They have spent years building up a £75m export business which was, for largely political and speculative political grounds, being destroyed in front of our eyes." Both companies had established leading positions in some of

boin companies has established terms beef to Italian supermarkets while Eurostock was the French market leader for offal.

Roderick Oram, Consumer Industries Editor Queen's Awards, Pages 7-14

### **BBC** Arabic service halted

The BBC said yesterday that Orbit Communications had ceased broadcasting the BBC's Arabic language news and information service to its Middle East subscribers. As a result the BBC ceased production of the eight bours a day channel st BBC Television Centre. More than 200 were employed on the channel including 90 Arabic-speaking journalists.

Earlier this month Orbit, a Rome-based company owned by the Mawarid Group of Saudi Arabia and the BBC, both served notice that they intended to terminate the 10-year contract on the same day.

The BBC was concerned about interruptions to the service and Orbit found some of the the BBC material - such as a recent programme on the Saudi justice system - unacceptable. Negotiations on a financial settlement are continuing.

Raymond Snoddy, London

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### MPs urge 30% pay rise

MPs believe they could be offered a pay rise of more than 30 per cent to above £45,000 (\$68,400) a year following an indepen-dent review headed by Sir Michael Perry, the chairman of Unilever, the Anglo-Dutch consumer products group.

Such an increase would be highly controversial, particularly given the current squeeze on public-sector pay, and a number of MPs would resist the move. But many believe parliamen-tary pay has fallen too far behind other salaries and have told the Senior Salaries Review Body that a significant increase is needed. Sir Edward Heath, the former prime minister, yester-day called for the number of MPs to be halved but for their relation to be behind the M00 000 salaries to be trebled to £100,000.

The Review Body was asked by the government to conduct an inquiry into parliamentary pay, allowances and pensions. It is due to present its findings by the end of June with proposals expected to be put to MPs the following month. The inquiry followed a demand by more than 200 MPs of all

### Car prices Lloyd's warns that US Names may miss out inflation

### By Ralph Atkins, Insurance Corresponden

State securities LLOYD'S regulators in California have been warned by Lloyd's of London that that they may prevent Names in the state benefiting from an important part of its recovery plan by forbidding Lloyd's from communicating with them. The warning comes as

Lloyd's steps up efforts to persuade California's department of corporations, the state's securities regulator, to drop legal action which threatens to undermine the recovery plan. Lloyd's attempt to bave the case dismissed is due to be beard by May 6.

Lloyd's is unable to tell Californian Names bow much they would receive under a proposed out-of-court settlement

The offer would help offset the cost to Names of paying for Equitas, a new reinsurance company which will take over many outstanding liabilities at Lloyd's - allowing a line to be drawn under Names' affairs at the market.

assets have traditionally supported Lloyd's. Lloyd's has set a deadline of

apply for special means-tested help if they still cannot afford By John Griffiths in London New car price increases have to meet Equitas bills even after their allocation from the out-ofcourt settlement. The Californian case is a particular beadacbe for Lloyd's because the securities regulators want to freeze part of

US underwriting. If they succeeded, the security of Lloyd's policies in the US could be undermined, affecting trading in the US.

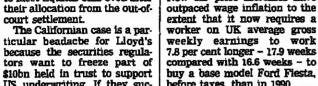
litigation surrounding Lloyd's which followed losses of more

Because of the legal action, offer, currently worth £2.8bn.

at Lloyd's.

Names are individuals whose

May 7 for overseas Names to



before taxes, than in 1990. The increase drops to 1.4 per cent after VAT - but only because the Treasury has fore

But Lloyd's complains that it per cent car tax it scrapped in is prevented from talking to the 500 Names in California the early 1990s to help boost the new car market, and dealabont the benefits of a negotiers have had their own profit ated solution to the mass of margins slashed, according to an analysis by Sewells Interna-tional, the industry consul-

tants. Total taxation on the than £8bn in recent years. Mr Peter Lane, Lloyd's North Fiesta model fell 2.8 per cent American managing director, over the five-year period, in said Californian Names stood spite of the increase in the standard rate of VAT from 15 to gain considerably from the recovery plan Reconstruction per cent to 17.5 per cent in and Renewal. Gross liabilities 1992

of about £130m would be cut to Sewells, using data compiled less than £50m, much of which for the Lex Service group's would be covered by funds already held on Names' behalf annual report on motoring, said it had analysed a model by UK market leader Ford A spokesman for the Califbecause of Ford's sensitivity to

ornia securities regulators market conditions, "Other said: "The department has taken the action it believes is manufacturers and importers appropriate to protect Californian Names.

even more pronounced if we had taken a larger sample of City People, Page 30 actual models."

Carmakers, which claim in They simply believe that reply that current cars are bettoday'a cars do not represent ter equipped than 1990 prede-cessors, "now take a much larger slice of the base price good value so are buying used cars instead." Mr Andrew Wilkinson, editor than they did in 1990", says of the motor trade's CAP vehicle prices guide, has also Sewells. The situation has prompted protests from the Retail Motor Industry Federation, representwarned that "new car prices are growing at a rate which is outpacing consumers' ability to buy.

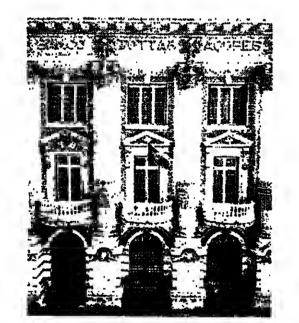
franchised dealers. "Dealers margins on the grounds that have not endured."

The industry is heading for "a long-term affordability criare not so conscientious. We sis", according to Mr Mar-shall."It is futile waiting for believe the trend would be the economy to improve. Car buyers do not lack confidence.

Base price Total price 24,630 21,084 15,445 2263.10 16.6 20.7 £1,056 £7,095 £336.30 17.9 21.0 1995 £6.038 +38.5% -2.5% +30.3% +27.8% +7.8% +1.4% gone the revenues from the 10

ing the country's 6,000 or more

were conned into losing their retail new prices would be cut," according to Mr Neil Marshall, the RMI's policy director. "The initial benefits to dealers



Portugal's most experienced international bank

Banco Totto & Acores is the result of mergers and ocquisitions of several banks and finonce houses over the yeors, dating back to 1843.

Proud of its past, Banco Totto & Açores is now one of the leading banks in Portugal. But more thon just a bank, Totto became the true expression of o powerful financial group.

Totta, probably the most experienced Portuguese bank in international business.



of eliminating other much meanwhile, could bring an greater risks. Banks have until now credited their customers' accounts with Chaps payments immedi-ately, but have not received

final payment from the paying bank until around 7.30pm, when they settled up at the the financial system. Bank of England.

If the paying bank failed dur-ing the day, the receiving bank was out of pocket. The probability of this happening might be small, but the sums passing through the system are so ket.

even greater reduction in risk in the foreign exchange markets, whose turnover is so large - \$1,200bn a day and growing fast - that even the smallest settlement hiccup can cause dramatic problems for

Leading international banks who call themselves the Group of 20 are working on plans to set up a supreme clearing bank to provide real time payments for the foreign exchange mar-

nt review of their £34.850 s larv. Th review will also cover MPs' pensions, a subject of a keen interest to the large number who are standing down at the next election. David Wighton, London

### 55% of businesses still PC-free

### Switched on companies Penetration of PCs

or, Banner & Co

Figures in bars are number of employ 20% 40% 60% 80% . .

Fewer than half of Britain's businesses have installed personal computers, according to the 1996 Banner Computer Readership Survey, although computer penetration in smaller concerns is still increasing. The survey, to measure the readership and still increasing. The survey, to measure the readership and purchasing habits of those responsible for buying compiter equipment, reveals that 45 per cent of more than 980000 businesses in the UK have PCs. Among the 35,700 large organi-sations – those with 50 or more employees – 97 per cent have computers. Only 41 per cent of those concerns with 49 or fewer employees have PCs, although their installation is up from 38 per cent a year earlier. Paul Taylor, London

### Amec buys rail servicing company

Amec, the engineering and construction group, has bought South West Infrastructure Maintenance Company, the tenth of

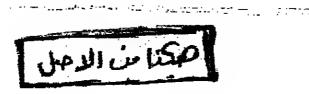
British Rail's track maintenance companies to be sold. The £11m (\$16.72m) deal brings to more than £150m the total raised by the sale of BR's track maintenance companies. Three have been acquired by management buy-out teams and seven by trade buyers. South West made a pre-tax profit of £1.9m on turnover of £93m in the 10 months to last Fabruary. It has been acquired with net liabilities of £1.2m.

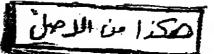
The company employs 2,200 people and provides maintenance, engineering and construction services in a triangle bounded by London, Hastings and Exciter. It includes many busy commuter routes into London's Victoria and Waterloo Charles Batchelor, Transport Correspondent

### Government pressed on EU links

Sir James Goldsmith, the anti-European Anglo-French finan-cier, yesterday issued a stark warning to senior members of the governing Conservative party that he would not drop his plan to field up to 600 Referendum party candidates at the next general election. In an uncompromising attack, Sir James accused the Conservatives of "appeasement" over Europe, and claimed that Mr Malcolm Rifkind, the foreign secretary, was in favour of a United States of Europe.

His words will dismay Mr John Major, the prime minister, who arrived home from the G7 Moscow nuclear summit hoping to promote the "benevolent economic situation" in the run-up to next month's local elections. Yesterday Mr Goldsmith confirmed that he was likely to stand as a candidate in Putney, south-west London, the parliamentary seat of Mr David Mellor, the pro-European Tory MP and former cabinet Financial Times Reporters







# **Good reasons for** celebration

Export success is one of the more optimistic sides to the UK's recent economic performance, says Michael Cassell

In the export game, anything goes. It might be shipping live baby cels to China or selling trendy baby clothes to Russia but the search by British companies of all types for new world markets has never been more necessary or more competitive

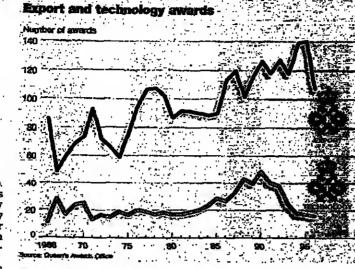
Today, some of the companies which in the last year have succeeded in making overseas sales a strategic priority are rewarded with the granting of a Queen's Award for South Export Achievement. They are East joined by a small number of hustnesses winning accolades for technological or environmental achieve-

But exporters dominate the 1996 roll call. They inevitably include some of the country'e most experienced exporters, used to selling products and services traditionally at the core of Britain's overseas sales effort.

But alongside the engineering companies, the steel products specialists and construction equipment manufacturers is a newly-emerging hreed of exporters modest in scale but with global ambitions. There are companies selling cat

flaps, ceramic capacitors, body armour and bakery products. included among them are husinesses such as Biotrace, the Bridgend based hiotechnology company which epitomises the new genera tion of young, fast-evolving businesses exploiting highly specialist skills in world markets.

Blotrace, founded in 1988 and P floated on the London Stock

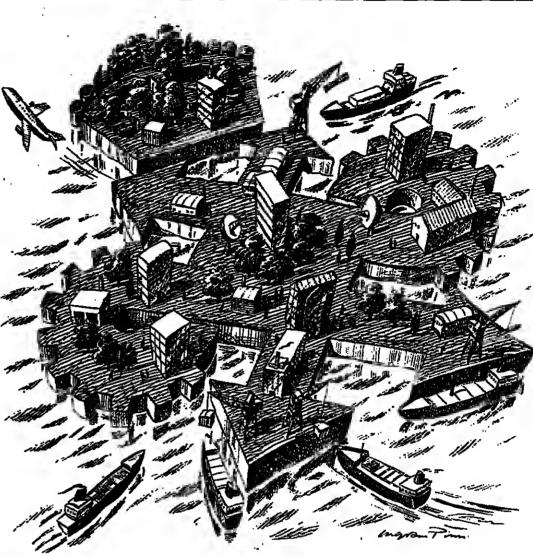


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Exchange five years later, harment. Britain's success in overseas nesses the enzyme which causes markets has represented one of the more optimistic elements of its fireflies to glow in order to produce portable food and drink hygiene recent economic performance. testing systems. The company only Improving competitiveness and employs 80 people hut is selling growth in world trade helped the throughout Europe, the Baltic volume of UK non-oil exports in States, Russia and North America. 1995 rise by 7.7 per cent over the

Along with the other award winprevious 12 months. The value of pers, the company is judged to have non-oil exports rose from £126bn in 1994 to £144bn. Imports, however, rose from £141bn to £160bn. made an outstanding contribution to the "export-led recovery" much trumpeted by the present govern-The World Trade Organisation



forecasts another year of robust trade growth in 1996, although the outlook is less certain within the markets or the European Union, the most important destination for UK products.

In recent weeks, fresh evidence has emerged of an economic slowdown in Europe, with trade between the UK and the continent falling

steadily. Sluggish economic growth in the UK has helped stem the flow of imports from other EU countries. Even so, the overall UK trade deficit remains stubbornly in place; the deficit on UK visible trade in January alone was an estimated £1.4bn. Only the efforts of individual companies can comhine to over-

come such traditional economic weaknesses. Given their daily struggle to win customers, many of them might feel fully justified in regarding award schemes as a largely irrelevant diversion. Even so, 41,000 enterprises have put their names forward since the Queen's Awards began in 1966 and nearly 3,800 have

For them, the right to use the widely-recognised Queen's Award logo - not forgetting the accompanying invitation to a reception at Buckingham Palace - is one they consider well worth pursuing. Peter Wood, a director of Glass

Eels, the Gloucester husiness selling millions of baby eels to destinations which include China and one

of this year's smallest export award winning companies, echoes the views of many of this year's 1,200 entrants: "It helps our employees recognise that we are being successful and I think it will also help to impress our customers." This year, 107 export award win-ners - the lowest total since 1988 -

will be able to put the theory to the test. Those companies which have won in the past - this year's export list includes 19 previous winners admit that it is impossible to quantify the commercial benefit of picking up an award and there is always the potential for disappointment if one year's success is not repeated. One inevitable spin-off from the steady rise in inward investment in

the manufacturing sector is the growth in foreign-owned companies now exporting out of the UK. This year. 24 of the export awards go to companies with overseas parents, ranging from two communication systems subsidiaries of Motorola of the US to New Holland UK, the tractor manufacturer owned hy Fiat of Italy,

Not all the overseas-owned manu-facturers using the UK as a manu-facturing base to supply other mar-kets have such extensive operations.

An example is Pamarco Europe, a Cheshire-based husiness acquired in 1992 by US interests and which has won an export award at its first attempt\_

The company, which employs the latest high-technology to engrave printing rollers and plates for use in the print industries, employs only 31 people and has an annual turnover of £3m. Terry Ford, vice-president, operations, Europe, says exports have almost trebled in the past three years, leaving half the company's sales accounted for by overseas orders

Export awards are not confined to manufacturers. Invisible earnings, a critical element in the UK's world trading performance, worth about 120bn a year, are also recognised in this year's awards. Among the win-ners is Healey & Baker, the Londonbased property consultancy and the first business of its type to win an export award. The partnership's export earnings have more than doubled in the past three years.

Other award-winning contribu-tor's to UK invisible earnings include Bartle Bogle Hegarty, the advertising agency with main markets in Europe and North America, and Halcrow Holdings, the Londonbased engineering, planning and environmental consultants.

The technological achievement awards also reflect the ingenuity of the UK's healthcare industry. embracing research and development and the commercial exploitation of new products and processes. Half the 16 awards made this year in this category are healthcare-related

Environmental achievement awards go to six companies, including Brook Hansen, the Yorkshirehased manufacturer of high-efficiency electric motors and Hoover of south Wales, for its environme tally advanced range of washing machines

Continued on page 2



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Heat treatment fumaces

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Electronic and print publishing

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Reinforced rubber hydrautic hose

Food stabilisers and ingredients

Hop products and raw hops

Speciality chemicals for use in semi-conductors

High vacuum pumps, systems and

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Communication aids for people with speed

Chromium-based chemicals

Gustom designed steel sections

Waterproofed fabrics

Beef and tamb processing

Seating systems for auditoria Combustion control equipment

Plastic foam-making equipment

Machinery installation, removal and

Leather for seating and interior trims

The Queens Awards for Expert Achiev

Blisworth, Northemptonshire

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Westbury, Wittshire

Shaffield, Yorkshire

London SE6

London W1

Dartford, Kent

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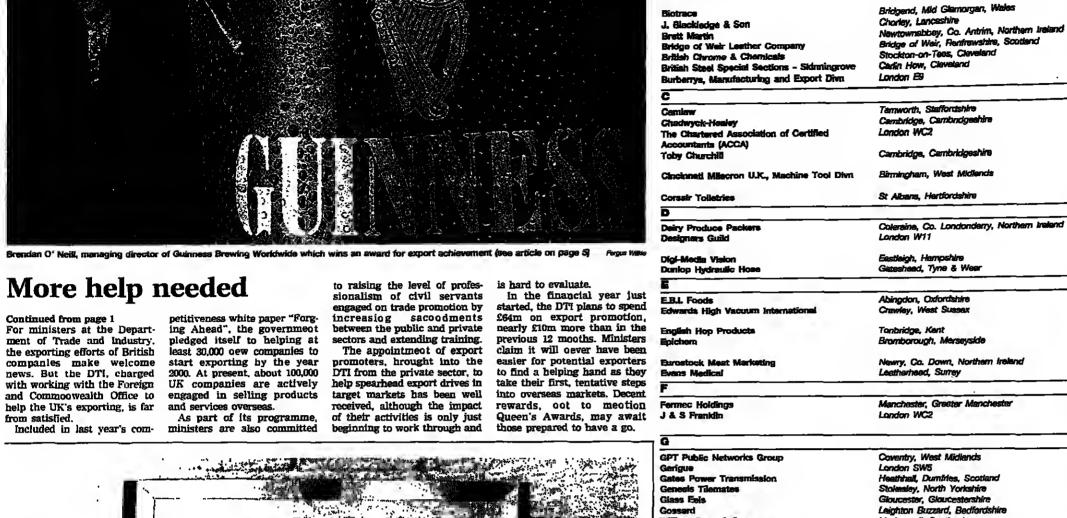
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### Light construction equipment Tents, shetters, camouflage netting and a Manchester, Greeter Manchester range of personal equiprhent Coventry, West Midlends London SW5 Telecommunication products and services Woven fabrics Heathinal, Dumines, Scotland Stokesley, North Yorkshire Synchronous timing belts Finishing profiles for constituction industry Live baby eals Ladies' lingerie and foundation garments Scotch whisky and other biverages Alcoholic and non-alcoholic beverages Gloucester, Gloucesters! Gossard William Grant & Sons Leighton Buzzard, Bedfordshire Motherwall, Scotland Guinness Brewing Worldwide London NW10 HSB Engineering Insurance Halorow Holdings Engineering insurance and consultancy Water and environmental consultancy London EC3 London WS Property consultancy Healey & Baker London W1 Newark, Nottinghamshire St Albans, Hertfordshire Malt extracts and canal syn Journal publishing International Diamait Co International Labrate Guildford, Surrey Automatic test systeme PTest **JCB Materials Handling** Rocester, Staffordshire Telescopic material handlers JCB Special Products Stoke-on-Trent, Steffordshi Compact machines Tring, Hertfordshire Insulated shipping systems Laminar Medica Besingstoke, Hempshire London EC4 Lilly Industries Software for benking and financial sector Lombard Risk Systems -Shildon, County Durham Tintagel, Cornwall Sheffield, Yorkshire Ceramic materials Magneco/Metrel UK Research chemicals for biological screening Threaded bar systems Fuel, vent and brake lines Maybridge Chemical Company McCalls Special Products McKechnie Vehicle Compon Mitton Keynes, Buckinghamshire Extrusion Operation Kingswinford, West Midlands Industrial fumaces and ovens Mechatherm International Mhan Antrim, Co. Antrim, Northern Ireland Construction

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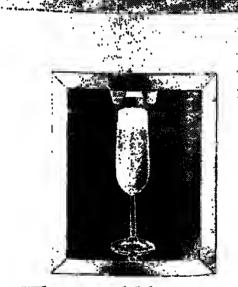
Beamech Group Beck & Politzer Engin

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

8



### What would happen to your competitor's business if they won a Queen's Award?

A Queen's Award makes a business attractive. Attractive to investors and new customers.

Perhaps your competitors already hold an Award. Or perhaps they'll be celebrating one soon. To stay ahead of them, call the number below for an application form.

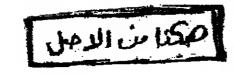
There are three different categories: Technology, Environment and Export.

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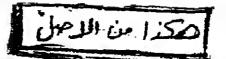
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Give your company something to celebrate. Apply now.

Mobile Systems International	London E14	Software
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Montson Bowmore Distillers	Glasgow, Strathclyde, Scotland	Scotch whisky
Mornson Bowmore Distillers Motorola, European Celkdar	Swindon, Witshire	Radio talephone communication systems
	CAMBYON' AANDAMA	nacio isiepriores constituincabon systems
Infrastructure Division	Pathanta Marth and a Particular	Collision tolent
Motorola, Europe, Middle East & Africa Cellular Subscriber Division	Bathgete, West Lothlen, Scotland	Cellular telephones
Mott MacDonald Group	Croydon, West Sussex	Engineering consultancy
Mulberry Company (Design), Home Division	Shapton Mallet, Somerset	Formishing fabrics and interior design accessories and furniture
N		
New Holland UK	Basildon, Essex	Tractors and components
Newbridge Networks	Newport, Gwant, Wales	Digital transmission products
Nikwax	Wadhurst, East Sussar	Consumer products for waterproofing cluthing, outdoor equipment and footwear
Nortel Radio Infrastructure - GPS Unit	Palgnton, Devon	Equipment to simulate radio frequency signals
		Comparison to automate racito medutency signals
Ocular Sciences	Southempton, Hempshire	Cath another barrier
Orb Electrical Steels		Soft contact lenses
Oxford Metrics	Newport, Gwant, Walas Oxford, Oxon	Electrical steel
		Systems used to capture and analyse human
Oxford University Press	Outord, Oxon	motion
P		Academic journal and book publishing
Pamarco Europe	Warrington, Cheshire	Distance in the second s
Paper Makers Export	Warnington, Cheanare Wellingboroough, Northamptonshine	Printing rollers and plates engraving
Paradise Datacom	Tipiree, Essex	Paper
Parkman Consultants	Sutton, Surrey	Digital satslite communication equipment
Perceli Group	Newport, Gwent, Wales	Engineering consultancy
Puratone	Rechester, Kent	Money counting systems
0		Hearing alds and in-ear monitors
Queenagate Instruments	Bracknell, Berkshire	Wavelength demultiplexors and equipment for
Quick Controls	Manchester, Greeter Manchester	the semiconductor and disk drive industries
R		Touch display systems
RBR Annour	London SE1	Body armour, combat helmets and ancillary
Relice	Preston, Lancashire	equipment
Reynard Racing Cars	Bicester, Oxon	Cat flaps and dog doors
Robinson Special Packaging	Chesterfield, Derbyshire	Racing cars and components
Robobond t/a Emelyi	London SE18	Spirally wound paperboard packaging Picture frame mouldings
5		
Segal Quince Wicksteed	Cembridge, Cambridgeshire	
Sincleir International	Norwich, Norfolk	Economic development consultancy
Smith's Environmental Products	Chelmsford, Essex	TULL GROBING SYSTEMA
Speedbake	Northampton, Northamptonshire	Fen convector heaters
Statestrong	Lytham, Lanceshine	Frozen bakery producte
Steel Wheels		Aerosol tolietries
Storehouse	Cookley, Worcestershire	Steel wheels
	London NW1	Clothing, homewares and share and
Swiftpack Automation	Alceater, Warwickshire	
Syler Technology	Norwich, Narfolk	Multilayer ceramic capacitors
erex Equipment	Motherwell, Lanarkshire, Scotland	Off-med down have
Thermopol	Crawley, West Sussex	Off-road dump trucks and scrapers
TRAK Microwave	Dundee, Tayside, Scotland	
U		Ferrite microwave components
Inipath, Consumer & Clinical Diagnostics	Bedford, Bedfordshire	
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# TINAPTAL TIMES MONDAY APRIL 22 1996

### Foot products: by Roderick Oram

Mar. 1 . . .

# eals on live eels

company's cheese.

OEY.

This rear's winners include a company that exports elvers to markets in the Far East

High tech cheese and garlic bread for the cootineot and elvers for Asia are just three of the bod products which awardwinning UK companies send abroad.

Glass Bels of Gloucester, named after the transparent baby eels, has a guaranteed mariet in one respect: eels do not breed in captivity. They spavn only in the Sagasso See in he South Atlantic. As the

larvae drift across the Atlantic they develop into elvers seeking out Europe's rivers. Hshermen on the Severn ani\_other British rivers net Galvers and sell them to Glass

Eds for anywhere from under £50 to more than £100 a kilo depending on the supply and demand during the elver seasm of Februrary to May. The elvers are "rested" for a

· 🔨

few days hefore starting a wildly different journey by air it the whim of man. Six hours before flight time, they are packed in small polystyrene cootaioers in ice cold, water that makes them drowsy, They, are onlyen to the airport and

airfreighted to the four corners ··\* • • • • of the world. Asia is a popular market. The elvers are farmed there, · · · · developing into the tasty, expensive delicacy prized in Japan and other countries.

> Glass Eels also helps foreign customers develop their eel farming skills: But European markets such as Italy, Greece and Sweden also show strong demand for eels for farming and re-stocking rivers, says Sarah Officer,

of Glass Fole While the success of Glass Eels, set up in 1990 by Peter Wood. a local basinessman, hinges on the mysteries of Northampton, Wakefield and Bradford and employs 460 peo-ple. Founded in 1954, its nature, the soccess of Dairy Prodoce Packers is rooted more firmly in high technolannual sales are about £100m at retail prices.

The Coleraine, Northern "Export sales have grown ireland company uses high scidramatically over the past ence to tailor its processed three years and account for 10 cheeses to its customers' per cent of total sales," says Robert Vance, sales and marneeds. Melting points are critical, for example, to fast food . keting director. It sells to eight chains makers of microwave European countries. meals and other users of the Among other food awards.

Weetabix of Kettering has won "We have a big market share in these areas," says Garnett its third this year to add to those of 1974 and 1991.

The company, established in 1982, exports its distinctive range of breakfast cereals to the continent, Far and Middle East, the Caribbean, South America and Africa.

for the dairy, meat and poultry businesses. Export markets include the European Union, Far and Middle East and several new ones; such as South

Founded in 1984, it is minority owned by Anthony Taylor and Edward For, two of its executives. and majority owned by Eigin Blenders of the US. a subsidiary of Dean Foods, according to a Dun and Bradstreet report.

The company is the largest maker of processed cheese in the UK and its parent, Golden The company has just under Vale Group of Ireland, is the

points. "Close working relationships with our clients has. I believe, been the key to our

30 employees...

Technology in motion A system tracking human movement minries.

has proved a winner in global markets, says John Simkins

PROFILE

The movements of figures in sporting video games, such as off or football, are becoming increasingly realistic and three-dimensional. This is partly thanks to the Vicon motion capture and analysis system developed by Oxford detrics.

The Oxford-based company, Queen's award winner this year, exports 90 per cent of its turnover. Its biggest markets are the US and Japan. Although the newest

application of Vicon is in animation for films, special effects, television rcials and video games

with walking disorders caused by cerebral palsy, and is used to assess other disabilities affecting mobility

Parkinson's disease, hemiplegia and spinal

Oxford Metrics: motion capture and analysis system

. The main Vicon range, costing from £70,000 upwards, is exported to more than 20 countries and is installed in many US children's hospitals. The Nuffield Orthopaedic NHS Trust in Oxford is among the British users.

Oxford Metrics was set up in 1984 by Dr Julian Morris, its managing and technical . director, as a management huy-out from Oxford Instruments. The company has worldwide annual sales of about f3m, a 20-strong workforce at Oxford, a DS subsidiary in Baton Bouge. Louisiana, and a distributor

to Los Angeles. Dr Morris's interest in notion capture dates back to the 1970s when he was a researcher in orthopsedic engineering at Oxford University.

Motion analysis techniques then involved the laborions frame-by-frame measurement of cine film.

The Vicon system, which he first commercialised at Oxford Instruments, tracks the motion of reflective markers attached to various

points of the body, or other moving subjects Tracking is achieved through synchronised, high-resolution video cameras producing images which are transmitted to a computer. The computer software combines the camera images

to determine the three-dimensional location of each marker in each video frame, allowing movement of the limbs to be measured and analysed.

The result, when applied to video games such as a recently released Diehard action adventure, means that actors supply the movements used as the basis of

animation. Pete Meddings, Oxford Metrics' sales and marketing nager, says that the shift to motion capture, as opposed to traditional computer-aided animation "is quite dramatic in video games. It is a young and vibrant industry and motiou capture enables it rapidly to produce realistic animation."

He forecasts that the company's recently formed entertainment division will make as big a contribution to profits as the medical business within two years.



THE QUEEN'S AWARDS FOR INDUSTRY 1996

The system helps treat children with walking disorders



The tasty, expensive delicacy is EBI Foods of Ahingdon, has won an award for its exports of lood stabilisers and ingredients prized in Japan and other countries

Faulkner, commercial director. Its use of technology to achieve Africa and India. different "melt characteristics" is one of the company's selling .

Dairy Produce, which exports about 45 per cent of its output, began exporting in the mid-1980s and has sales offices in the Netherlands, Spain, Den-

mark and France. It is now looking heyond Europe to Japan, elsewhere on the Pacific Rim, the Middle East and Africa. The company is investing £7m this year on a



success:"

PROFILE Relion cat-flap makers Accolade for

pet favourite

new plant in Coleraine just for

### Garlic bread sold on the continent is one of the products of Speedibake, the Northamptoo subsidiary of Associated Brit-ish Foods. It has bakerles in

with Jim Henson's Creature Shop among the users - the main outlet for the system is the medical market. The system enables surgeons to treat children

When Reilor fielded to " are into DIX," says Mr Keir. wanufacture at-flaps in the " The most up-to-date cat-flaps 1960s it realied it could not use stainlesssteel, from which it mae door furniture. The sharp edges would risk turning all feline users into Manx cats. "This wayoot the way to look after ats," says Brian Kerr, manging director of Reilor of Peston, in Lancashiry So the company, set up in 137, switched to plastics and holds 85 per cent of the UK at-flap market. AlthoughReilor still makes door furnture, its Staywell cat-flap, simple device fitted to . hole cut in a door. accountifor the bulk of annual sies of ocarly £6m. Reilorestimates that despite kritons' love of cats. only a fith of owners have cat-flap: Mnch of its husines comes from repeat orders when owners and their cts move house, so sales re affected by the state of the ousing market. Mr .err, who joined Reilor three ears ago from Berger Paint, says that during the recession the company had to find way to expand. "We decied to export ourselves out ( recession," he says. Ove those three years Reilor has acreased its exports by 50 pr cent to a total of c2.im in 1994-95, securing a

Quen's Award for export.

he company employs beween 65 and 75 people deending on the season. "In

mi-winter no one wants to

sping and autumn people

r. a hole in a door, while in

SciMAT

We wish to thank our customers

worldwide for their part in our

success. We look forward to

a continuing partnership.

can be programmed to admit only the owner's cat with its personalised microchin

collar. Although cats are not pampered everywhere overseas - and even end up in the cooking pot in some countries - Reilor has not met consumer resistance abroad. Tennerate zones offer the best opportunities to hot countries doors are kept open. Western Europe, with only one rival manufacturer. is Reilor's best market, with Dutch, French and Germans customers to the fore. The company employs export staff with language skills who ensure that the product and packaging, is acceptable to each market. **Rellor does little business** in Asia but is hoping for growth in eastern Europe after a successful launch in Russia. It turned down a huge order from Nigeria for

fear it would not get paid, but sales are good in Japan where cats are forbidden to roam and cat-flaps allow the animal access to an enclosed space such as a patio. Mr Kerr says the company has barely scratched the surface in the US market,

where it has a subsidiary and where its founders, Reid and Taylor (hence Beilor) originally came across the cat-flap. John Simkins

# Winner of the Queen's Award for Technological Achievement for the second time.

We are proud to receive this award in conjunction with one of our most innovative suppliers, Wace Screen.

The award recognises the technical innovations we have made in garment panel printing; these have enabled us to produce more vibrant and durable graphic designs for our children's character merchandise.

> We are pleased to be able to add this to the two Queen's Awards 🚔 for Export Achievement we won in 1993 and 1995.

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### QUALITY, VALUE AND SERVICE WORLDWIDE.

MARKS & SPENCER

10

### THE QUEEN'S AWARDS FOR INDUSTRY 1996



e growth is taking place in the con

Telecommunications: by Alan Cane

# Transmission possible

Five companies have been honoured for their role in the digital revolution

The explosive global growth of the information and communications sector - which is expanding at twice the rate of the rest of the world economy - is helping to restore the UK's reputation as a commercial force in technology, even if there is a significant overseas interest among this year's winners.

Five communications companies this year share six Queen's Awards for Export Achievement. For one of them, the public networks group of GPT, the UK's largest telecoms hardware manufacturer, it is the "great comeback story", according to Alex Findlay, director of the group's interna-tional business division.

The group had been performing poorly at the turn of the decade. Now, after sharp refo-cussing of its activities, it can point to three years of successful exports, selling tha most advanced networking products

in each of the past three years, GPT. which is majority owned by GEC of the UK with Siemens of Germany having a minority stake, has doubled its sales export figures according to Tom Hodgson, markating director. It leads in some key radio telephone systems. areas, with 28 per cent of the world market for SDH transmission systems: It has installed more SDH systems in France than Alcetel, the French company that is the

world leader in telecoms hard-For the UK subsidiary of the Canadian company Newbridge Networks, 1996 has brought its data communications. third Queen's Award. A world leader in advanced data transmission technologies, the company has been ideally placed to exploit the current interest in Asynchrocous Transmission Mode (ATM), s technique that wraps chunks of digital data in electronic packages complete people. Among its more interesting with forwarding addresses and transmits them at high speed. products is the "Startac" wearable phone, said to be the Voice, video and data traffic smallest and lightest on the can be transmitted over a single line using ATM technology. market. Another development Big contracts secured by

which is rapidly becoming the world standard. The first, the ware is used to design and plan digital radio networks in more European Cellular Infrastructhan 50 countries.

According to MSI, virtually all the world's leading mann-facturers and some 70 operature Division based in Swindoo, designs, manufactures and installs computer-based tors design cellular networks The infrastructure division using Planet. Essentially, the builds, in fact, the base stasoftware is able to manipulate tions, the radio circuitry and a broad range of geographic computer controls that make information about a country to cellular telephony possible. in enable planning down to the nearest square metre. the past 12 months it has won

The next challenge for the orders for radio telephony infrastructure throughout the company will be the introduction, probably next year, of world and is working on advanced digital voice and dual mode handsets capable of working at two different fre-The second, the European queocies. John Carrington, managing director, says: "Our Cellular Subscriber Division, which is based at Easter inch. success is huilt around our in Scotland, makes cellular extensive knowledge of telehandsets and exports them to coms. This is expressed both in Africa, China, Janan and Rusthe expertise of our people and in our state-of-the-art software sia. The facility, which makes both analogue and digital products". phones, employs some 2,000 Perheps the most unusual

winner in the telecoms group is the GPS Unit of Northern Telecom, the Canadian telecoms manufacturer, based in Paignton, Devon.

It designs, develops and man-Is the Map phone, which will give access to voice, data, elecufactures eminment to simulate radio frequency signals tronic mail and the Internet emanating from satellites. These simulations are used to through touch screen technol-23 70 ers - devices that are able Mobile Systems international is a six-year telecoms software accurately to pinpoint their group based in London's docklocation on the earth's surface - by pretending that the appalands. It was founded with the aim of developing software and ratus is placed in boats, aeroconsultancy services for the planes and so on. design, planning and operation Global positioning systems have become increasingly popular as their price has fallen. The unit's principal markets are in North America and Europe with considerable interest now being shown from Japan.

Steel products: by Stefan Wagstyl

# New markets for old mills

graatly from last decade's and transmission equipment How four steel boom in the UK construction product makers industry. Its main products are the steel ties that are used to have compensated anchor and hold together for a slump in their beams on large buildings. The slump in construction at domestic market tha end of the 1980s put

Anyone wanting to buy their way into export auccess would be well advised to take a look et McCalls Special Products. For this award-winning maker of steel ties for the building industry was put up

for sale earlier this year by its parent group. ASW Holdings. "You can say it's ironic," says James Edle, managing director of ASW'a construction systems business, which includes Sheffield-based McCalls.

in order to concentrate on its core operations making steel beams and wire and to cut its deht. Mr Edie believes it will beve little tronble salling McCalla, given its strong The company doubled its staff from 50 to 105 and opened

products companies to have won the Queen's Award for Export Achievement for 1996. The others, all affiliates of British Steel, the UK's domi-

nant producer, are: Orb Electrical Steels, of Newport, Gwent, Avesta Sheffield, the stainless steel company, and British Steel Special Sections, of Skinningrove, Cleveland.

McCalls itself was a subsid-lary of British Steel until It steels for electricity generation

Yes, we can do bananas

The apples advance in single file at e cracking pace of up to 800 per minute. At the end of their sprint, at least 85 per cent of the fruit will bear a tiny label, providing point-of-sale brand promotion wherever they are sold, In the US now, and soon in

other countries, that little label carries a code to belp solve one of the frustrations of supermarket shopping - the delay while the check-out clerk decides what variety of fruit to charge for. And when you are ready to bite into that apple, you no longer need to worry about breaking its skin as you try to peel off the label. A tab sticks up to enable the label be seen

such innovation, is used on all supply the machines, which can be adapted to label apples exported from South Africa and New Zealand. The anything from a mandarin to label is mada of thin . a melon. It also services them,

polyethylene laminate, so it. requires only a small amount of natural adhesive. Mr Briggs, chairman and chief executive, says this is one example of Sinclair's using its research and development to anticipate customer demand. Sinclair, which employs 94 people in Norwich, is also hreaking into markets where the low cost of labour has preserved hand-labelling. It has developed a system to meet the cost-conscious

demands of a Moroccan

customer.

and six-week ciwi fruit season, a tota of 4bn fruits must be handed.

Sinclair retins ownership of its labellingmachines, servicing then and providing spare parts forno charge. In most cases, it provides the flexible applicators to customers against a four-year labelling contract. "We can label an avocad with the same machine that we label an apple or a kiti fruit," says Tony Sayle, intenational marketing directr. Labels are ofter produced to

very short lead tipes, and the high quotient of srvice in Sinclair's packagefor customers means hat most management, mareting, service and tecc personnel travel reularly. Mr Briggs says Spciair can produce in Norwicias a single-site manufacturer as cheaply as anywhen in the world. Norwich alsonas access to KLM's intenational network through AitUK's feeder flights to Schihol airport.

¢,

appliances. It employs 538 peo-

ple, mostly at its plant in New-

port where it first started pro-

The company says that it is

the only electrical steel maker

with a laboratory handling

work for the government-spon-

sored National Measurement

and Accreditation Service. Avesta Sheffield, the UK's

largest stainless steel maker.

exports to more than 50 coun-

The company was formed in

1992 by the merger of Avesta of Sweden and the stainless steel interests of British Steel. Cov-

ering the UK interests of the

merged companies, it is 51-per-

cent-owned by British Steel. Avesta has increased exports

by 96 per cent in the past three

years, mostly to continental

Europe, which accounts for 75 per cent of the company's over-

seas sales. Important orders

include a \$4.5m contract for sheet for cladding the Petronas

Twin Towers skyscrapers in

Kuala Lumpur and sheet worth

Avesta has

vears

duction in 1898.

FINANCIAL TIMES MONDAY APRIL 22 1996

£250,000 for the new court of Human Righta builling in and for motors and electrical Strasbourg.

Jerry Gorman, executive vice-president, says: "This company has been through some major changes in recent years to develop a highly eficient streamlined operation, which has dramatically increased its output\_"

British Steel Special Sections, which employs 35 people. makes custom-desened steel sections that are used as components for mechanical shovels and other earthmoving, construction and pandling equipment, and for stipbuilding.

Exports, which account for more than 30 per cent of sales. have risen from 91,000 tonies in 1991-2 to 186,000 tonnes in 1995-96. The company is he first non-US business to win certified supplier status fron Caterpillar, the American co

struction equipment maker. It says its recent success ha been founded on the £20n modernisation of its rolling mill, which, carried out in 1990 increased efficiency and qual

ity. Mike Grimble, the managing director of British Steel Special Sections, says: "This demonstrates what can be achieved on an international stage by e small operation... The strong community spirit at Skinningrove, with e high proportion of the workforce living in the local villages, has been a big help in our success.

Fortunately, the company was well placed to develop export sales because of its links with UK-based consulting

ASW is selling the business diff Bay Barrage.

recent record. McCalls is one of four steel overseas offices in Kuala Lumpur, Hong Kong, Paris and Lisbon

sidiary of European Electrical Steels, a joint venture between British Steel and Svenskt Stal of Sweden, won its award after

raising exports to 60 per cent of total sales. The company, which had e turnover of more than £100m in the year to March 1995, produces high-quality precision

was sold to ASW in the early 1980s. The company profited

PROFILE Sinclar international, thirt-boeling specialists

produce. It does not just

the labels.

and designs and manufactures

increasingly, moreover, it is

taking a lead in helping to

"price look up" (PLU)

Through their Produce

which perform the same

Sinclair's campaign to

persuade other countries'

retailers to adopt tha US

numbering system has been

function as bar codes.

develop world standards for

oumbers on produce labels.

Marketing Association, US retailers have taken the lead

in introducing PLU numbers

increased its engineers and architects, exports by 96 which manage many large overseas projects. Sales soared, per cent in the doubling to £10.5m annually in the five years to 1995, with the past three export share growing to 65 per

Orb Electrical Steels, a sub-

McCalls under great pressure

to find new markets. Mr Edie

says: "We had been serving our

protected market in the UK.

Now we had to look overseas."

cent. McCalls supplied ties for Kansai International Airport, in Japan, the Jonhannesburg Athletic Stadium, and the Car-



company established an alliance with Siemens to attempt to secure a larger share of the world market for ATM technology. Two UK units of Motorola, the US semicondoctor and

Newbridge last year include a

\$50m, two-year, networking

project for the Swiss telephone

mobile communications manuof wireless networks for mobile phooes, pagers and other radiofacturer, won awards this year, both for the second year runsed services. ning. Their success reflects the It now has a turnover of worldwide enthusiesm for £25m and more than 350 mobile telephony and in particemployees in six offices around ular for GSM technology,

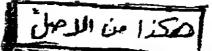
per lif Advances such as these have won Sinclair international, the Norwich-based fruit-labelling specialist. Its second award for exports in five years. Exports to 30 countries account for more than 98 per cent of sales. In the 14 years since it was founded by Peter Briggs. Sinclair has established world leadership in providing "total solutions" for labelling fresh

enough 4-digit PLU codes to accommodate 2,000 varieties of fresh produce. The company has more than 95 per cent of the mechanised PLU market. It has developed a number of products for special market needs. They include a programmable labeller that can label individual fruits positioned in trays, at the rate of up to 30 trays per minute. The tab-lift label, another

กลกลง fruits to be "branded", posed special problems and had stickers put on by hand because of cost and because a hunch is not an easy configuration to label mechanically. The company has now won its first banana-labelling contract in Australia. In other markets, speed is of tha essence. In New Zealand'a 12-week apple packing season

**Clay Harris** 





# For old Nil Healthcare products: by Motoko Rich Small turns out to be profitable which also has speech synthe the banded about 50 years ago by The speech synthe Statestrong, which was tration, Mr Baptist decided to hy shares - ha now owns the same their y

achieed without huge sudgets

A large staff, multinational brand ad big budget are not necessry to excel in export market - a fact well-proven by thehealthcare winners of the Quen's Award for Export this ver.

Included in the list of winners re a family-owned and run raker of communications equipment with 20 staff and annul sales of £2m; a small, Blaccool-based aerosol toiletries anufacturer, and a pharmacutical transport carton maker which is just moving outof its 15,000 square foot

Tby Churchill, the Cambrige-based manufacturer of munication aids for people win speech disabilities, drives 50 per cent of its anual turnover from exports. It largest market is tha US. folowed by Europe - with a lrge market in Scandinavia Astralia and New Zealand. Tohy Churchill, managing crector, invented the first Lightwriter" - a jualcreenad electronic device

PROFILE

o bananas

Mr Churchill, who was paralyzed after contracting a virus and is unable to use his voice,

-----

continues to oversee the R&D team, while his wife, Sheila, manages the administration of the business. His younger brother, Simon, is marketing director.

The company sells direct to hospitals and private individuals in the UK, and uses distributors abroad. Its distributor in the US, Zygo, an Oregon-based communications equipment maker, is the former employer of Sheila, who met Toby via fax

The group is now investing in another factory unit in Cam hridge. Another rapidly expanding export award winer is Statestrong, an aerosol toiletries maker, which has recently doubled its manufacturing capability to maet demand, largely from exports.

"We have targeted exports as being the way forward for the company," says Stephen Baptist. Statestrong'a chairman and managing director. "It was the only growth thet I could foresee 12 years ago when we took over the business because tha UK market has been somewhat in decline "

Chadwyck-Healey: information specialists

Today about 80 per cent of its sales - expected to be about £25m in the year to June 30 are derived from exports. Its main markets are eastern Europe, the former Soviet Union, and now. Asia. Tha

'Overseas markets are much larger and there is much more to go for'

group has received its first orders from Thailand and China. "That is where we see the company's future growth," says Mr Baptist. The group has not always enjoyed such success. It ran

into troubles in the early 1980s. shortly after Mr Baptist joined the group as a line manager. and was put into receivership by its banks in 1983. A group of four business

rescued the husiness, and changed its name from Blackpool Aerosols to Statestrong

about 12 per cent of the total and subsequently he ascended the company ladder, reaching the managing director's office form. Without such systems, some seven years ago.

Mr Baptist said the group was now setting its sights on South America, where it hopes to begin selling within the next 12 months.

Laminar Medica, which makes shipping systems for the transport of temperaturesensitive pharmaceutical products, is considering the expansion of its product offer rather than its geographical spread. "Our shareholders want us to invest in expanding the things that we do and the range that wa can offer," says Quentin Shrimpton, operations director at Laminar.

The company is considering offering its product to the food industry, which it believes is not well-served for international transport.

The company, which makes cardboard and polystyrene carrying cases, has beloed international pharmaceutical groups transport drugs, vaccines and other products which need exact temperatures to travel.

We provide the system

Chadwyck-Healey's

Publications, the National

Washington DC and the

**Russian State Archival** 

After the removal of the

**Communist Party in 1991** 

deal for exclusive rights to

former Soviet Union in the

west, and in partnership with

market archives of the

**Communist party of the** 

Office for Official

Service.

Security Archive in

ban on the Russian

whereby they can ship with relative impunity," says Mr Shrimpton. "We help tham make sure their products get to the end patient in a viable

groups have been forced to rent out entire refrigerated trucks just to carry a few vials of a vaccine. Laminar's system is tailored to the needs of the product and therefore can be made small enough to he shipped by air.

Exports, which have grown by 50 per cent since 1983, have helped the company to fund the expansion of its facilities from 15,000 to 30,000 sq ft.

Although Biotrace, whose testing systems are used by food and drink manufacturers to check the cleanliness of their production Unes, fell leeper into the red last year as a result of expansion into export markets, it believes its new chief executive, Jim Keir, will help the group exploit this

The group, which derives 55 per cent of its sales from exports, says export markets are the most exciting

"Overseas markets are much larger and there is much more to go for," says lan Johnson, marketing and development director.

Pints pulled abroad A Bass unit has found new markets overseas for a traditional British product

Drinks: by James Buxton

With imported lagers on sale in almost every pub in England, Guinness also supplies the an Englishman might be foressential ingredients of Its given for thinking that foreignstout to 47 countries, enabling ers drink nothing hut lager or local breweries to produce it other "blond" beers. locally. Its biggest markets

Nothing could be further includa Nigeria, Kenya, from the truth, however, as is Jamaica, Malaysia, Singapore, demonstrated by the export Ghana and Seychelles. performance of Bass Beers Guinness helieves its stout is Worldwide, which has won a complementary to blond beers. Queen's Award for Exports. This has enabled it to set up

"Our flagship international joint sales and brewing product is Bass Ale," says arrangements which do not Simon MacDonald, managing threaten the blond beers of its director of the Birmingham trading partners. based division. Bass Ale, a bit Stout from a tap or pump is ter or pale ale, has benefited in not the only export product of Guinness Brewing Worldwide; the past eight years from what he calls a "taste explosion" in the US, as drinkers have turned from lagers lowards

fuller tasting beers. Bass Ale, which Bass has exported since 1799, is now the best selling imported draught ale in the US, according to the company. Two important factors work in favour of Bass Ale in markets such as the US: the heritage of Britain which drinkers feel they are imhibing with the beer, and the cachet, in 1989 the company launched conferred by the "imported" Draught Guinness in a can, to enable consumers to enjoy the tag.

Bass Beers Worldwide sells taste and qualities of draught beer through 500 distributors Guinness at home, and folin a wide variety of markets and supports the development lowed It in 1992 with Guiness draught bitter in cans. As part of British-style Bass public of the company's export prohouses in Europe, where there are now about 100. Its exports, motion it supports more than 800 "Irish" pubs worldwide, accounting for a third of the 3m barrels of beer exported world's seventh largest brewer each year by the UK, have in terms of pre-tax profits -£270m in 1995 - and the ninth increased by 45 per cent in the past three years, and account largest by output volume. On a far smaller scale this for nearly 10 per cent of Bass's year's winners include English

beer ontput by volume. Bass Ale is brewed at the Hop Products, a husiness with £4m in annual turnover, which Cape Hill hrewery in the heart of Birmingham. The company exported half its production. It also exports Tennents lager sells hops - the ingredient brewed in Glasgow - "a genu-ine Scottisb lager heritage." which gives beers their hitterness or flavour. Bass says. Following the group's purchase in 1993 of a in Tonbridge in the hop-growstake in a brewery in Prague, ing area of Kent, is jointly owned hy Englisb Hops, the the group added Staropramen, a Czech lager, to its portfolio, largest co-operative of hop selling it in the US, Italy and growers, and Hopunion, an international hop growing, pro-Spain, as well as the UK. Guinness stout, exported to

150 countries, has helped Guin-

ness Brewing Worldwide win supply raw hops, and also proits first Queen's export award. vide hop pellets and extract, Guinness claims It is the thanks to its technical knowworld's most widely-distribhow and its R&D efforts. A high nted beer. It is exported to the sbare of its exports go to US, the Far East (especially Europe, the US, Australia and Hong Kong, Australia and New India, and it has recently Zealand) and Europe, notably Italy and Germany.

Guinness

widely

beer

claims it is the

world's most

ing and trading group.

It is a one-stop shop that can

distributed

opened a sales office in Moscow British Diamalt is in a similar position. The company, which is part of US-owned International Diamalt, produces liquid and dried malt extracts for the food and drink

industries, including brewing. Based at Newark on Trent. Nottinghamshire, tts main export markets are North America, West Africa, the Middle East and the Far East.

Its exports have doubled in the period of the award appli cation, with important growth in Russia, other CIS states. South America and Australia. William Grant & Sons as notable for being a familyowned business (oue of the largest of its kind in the UK) that has preserved its indepen dence since it was founded in 1387.

Although many people associale William Grant with its Glenfiddich single malt whisky, the export performance which led to the award was related to its hlended whisky brand, Grant's, Grant's is the fifth biggest sciling

whisky brand in the world, and the fastest growing large Scotch whisky brand, Its export sales are heavily

focused on Europe, which accounts for 59 per cent of its husiness, where France is an important market. The US and South America are the next Guinness says It is the largest export markets.

Export sales account for more than 70 per cent of William Grant & Sons' total sales tits annual turnover is a little under £250m), Exports grew hy £30m in the three years to 1995. A fellow award-winning Scotch whisky company is Morrison Bowmore Distillers, a Glasgow-based distiller. Its portfolio includes the Bowmore islay single malt, made on the The company, which is based island of Islay, and the Aucbentoshan Lowland malt, distilled at Dalmuir near Glasgow. Morrison Bowmore belongs to Jananese drinks company Suntory, Its exports have doubled in the period of

award application and make

up two-thirds of production.

It's not outte selling coals to Newcastle, but selling Goethe to Germany is one o'the ions why Cambrdge-based information specialsts Chadwyck-Healey hs won its second award for eport

achievement. The company prdnces academic and reserch data on CD-Rom, microiche, microfilm and in ook form. Its main export narkets are Europe, the US, te Far East and Australia. Chadwyck-Heavy was set up in 1973 by its:hairman, Sir Charles Chawyck-Healey, and has sister corpanies in Paris, Madrid ad Alexandria,

Virginia, It went electronic at the end of the 1980s and that medium now represents about 60 per cent of its business. Next month the company plans to launch its services on

the Internet. It has built a reputation within the industry by tackling huge, high-profile collating and publishing projects. In 1991, the company ased the English Poetry Full-Text Database, a collection of four CD Roms covering every published English poet from Saxon times to 1900. The company says its "substantial" sales in 19

countries have "made an immortant contribution to the company's export success

Cambridge firm spreads the words

Other large literary full-text databases which have sold well overseas include English Verse Drama, which contains over 1.800 works by more than 500 authors; 21 versions of The Bible in English; and Editions and Adaptations of Shakespeare

Last year the company published its first database specifically for the German market - filling a gap in the market there - when it produced Goethes Werke ouf CD-Rom, an electronic version of Goethe's works, including

the footnotes, in the definitive the Hoover Institution, began Weimar edition.

to transfer the huge archive of the former Soviet international partners include Communist party and state to the United Nations, the EC's microfilm.

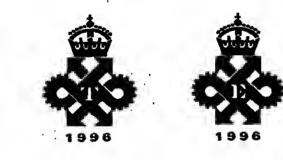
When the company won its first export award in 1987 it employed 24 people and had export sales of £970,000. By June 1995, export sales had grown to over £7.5m and staff numbers had risen to 102. The company now employs 150. Since 1993, its export sales Chadwyck-Healey clinched a bava risen by 135 per cent.

> Stephen McGookin

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# We're proud to announce our Export success continues...



The Queen's Award for Export Achievement 1996

Weetabix Limited is proud to receive The Queen's Award for Export Achievements for the third time.

This prestigious Award recognises the efforts of not just our Export selling team but all Weetabix Limited employees who are involved in the various stages of the food chain from processing the very best natural ingredients to arranging distribution of the finished quality products.



### THE QUEEN'S AWARDS FOR INDUSTRY 1996

Specialist vehicles: by John Griffiths

12

Winners range

to racing car

in the 1960s.

manufacturers

The engines of growth ucts. which makes compact years, partly as the result of equipment including back hoe the introduction of mini excafrom construction loaders, rough terrain fork lift vators to the product line last equipment makers

create the New Holland group.

company this is the second

export award in a row,

although the first under its lat-

one of the first

specialist motor

racing concerns

to receive an

exports award

Three quarters of its output

is sold overseas, through a net-

work of dealerships and

importers in some 120 markets

Last year it was 27th in the

Financial Times' top 100 list of

exporters. Its exports are con-

worldwide.

Reynard was

For the Basildon, Essex-base

nearby Cheadle, Stoke-onyear. Founded in 1985, the com-JCB Group has come a long pany has seen its export earnway ance its founder. Joe ings rise from £17.5m to £49.7m Bamford, first started the Stafover the past three years, comfordshire-based construction pared with a total turnover last year of £69m.

business soon after the second world war. Now its equipment is found all over the world reflected in the 11 Queen's Awards for exports it has won Pacific region by its managing director, Jim Edwards. since the scheme was founded

This year sees the group's third "double" - two export awards received by JCB subsidiaries in a single year. One goes to JCB Materials Handling which produces telescopic handlers at Rocester in Staffordshire. Founded in 1978, the com-

pany has a turnover of nearly £95m and Its "Loadall' machine is claimed to be the world leader. Exports have risen from £20.4m in 1993 to £51.8m last year.

Recently the company invested £4.5m in the Rocester facilities to install new plant and equipment to enhance huild quality - a move substantially increasing confidence among the company's 180-strong work force.

"When the company was founded JCB bad to pioneer and develop this revolutionary materials bandling machine; now we're number one in the world," says David Bell, managing director. This year's award is the second for the company, the first having been won in 1984.

The other award-winning subsidiary is JCB Special Proddoubled over the past three

trucks and wheeled loaders at уеаг. a purpose-built £10m factory in manufacturer, also the recipi-Trent, completed only last ent of an exports award, began life nearly 70 years ago as the tractor division of Ford Motor Company. A landmark in its history came in 1991, however, when Ford sold it to Fiat to

and agriculture machinery The company employs more than 200, with principal exports in Europe and North America and "significant growth" projected for the Asia-

> Awards have gone to other engineering-based companies in closely-related sectors. Terex Equipment, based at Motherwell Lanarkshire, is a US-owned producer of off-road dump trucks and scrapers for

n construction, quarrying and similar activities which exports to some 60 countries. It, too, is focusing heavily on the growth markets of Asia and the Pacific rim and is currently discussing a collaboration agreement with a so-far unnamed Japanese partner to pursue opportunities in the Japanese market, the world's

> centrated on tractors in the ment Further south, at Stretford, medium to high horsepower near Manchester, Fermec Holdrange, with the balance made ings is celebrating its second up of diesel engines, agricultural equipment and compoexport award within six years for the backhoes, mini excavanents tors and industrial tractor

flfth largest for such equip-

loaders which find their way to extra meaning for another recipient, which represents a 70 markets. The company was small but hy far the most sucformed in 1992 from a managecessful sector of the UK motor ment buyout of the MF Industrial business, then part of the industry. Reynard Racing Cars, Massey Ferguson group, part located in the heart of the UK's of Varity Corporation of the world-heating motor racing US. Its exports have almost industry at Bicester in Oxford-

dred purpose-built single-seater racing cars a year, most of which are exported.

In recent years Reynard has dominated categories such as New Holland UK, the tractor IndyCar racing - North America's equivalent of grand prix as well as European and Japanese Formula 3000 racing.

Founded by chairman Adrian Reynard and his longtime friend and colleague, managing director Rick Gorne, Reynard was one of the first apecialist motor racing concerns to receive an exports award, in 1990.

Nevertheless, the government has been relatively slow to recognise the achievements of the UK motor sport industry, not least in IndyCar racing where Reynard, March, Lola also a previous export awards winner - and UK-based Penske between them have accounted for virtually every car on the grid for more than a decade and for every Indianapolis 500 winner since 1978.

Ministers are now trying hard to make amends. Earlier this year, during a visit to the McLaren grand prix organisation, industry minister Tim Eggar said the Department of Trade and Industry would mount an "urgent" initiative to spread "the strengths of quality and innovation" shown by the UK's racing car industry into the country's mainstream volume car and components industries.

It is looking at ways in Fast-moving exports have an which the rapid-response technology and design and development skills of companies such as Reynard can be transferred to other sectors of the industry, having realised that motor racing in the UK employs some 50,000 people and collectively generates a turnover in excess shire, produces several hunof £1bn a year.

Being British is not enough. New ideas are also needed to catch the eve of foreign buyers

Textiles: by Jenny Luesby

Creativity must be an element in the success of almost every company, but in textiles it is close to being the whole story, according to this year's export award winners.

In overseas markets, tha "British look" still possesses an enormous cachet. But. increasingly, this look needs to be combined with innovative designs in order to produce sharp export growth, the winners say

This is the case even for the oldest and most prestigious of British fashiou names such as Burberrys. Burberrys, winning its sixth

Queen's award this year, has now clocked up more than any other British clothing com-It describes itself as the

"quintessential British brand". and few would disagree. But despite the Burberry appearing in the Oxford English Dictionary as a raincoat, rainwear accounts for just 10 per cent of the company's sales.

It has been by expanding into other clothing, leather goods, acarves, perfumes, watches, glasses, jewellery and even food and whisky that Burberrys has lifted its export sales by £30m in the three years considered for this year's awards.

Similarly, it is through diversification that Mulberry has achieved success in overseas markets and won its third award

Known as a producer of high-quality leather goods,

Designs on global markets Mulberry appears to have bucked every trend visible with its relatively young home formishings division.

The division was launched at the height of the recession and during a hiatus in the fashion industry, says its chairman and designer, Roger Saul.

"It was the time of Grunge, and deep uncertainty about where the fashion market was going," he says.

However, throughont the 1980s, peopla had been asking where they could buy the chairs and wallpaper used in Mulberry shops. The depth of the recession made it easier for the company to diversify into both

"Mills, weavers and printers were all crying out for work: and willing to be much more flexible than normal," says Mr Sapl.

As a result, Mulherry launched its first home furnishings collection in just nine months, "from scratch", according to Mr Saul

It manufactures none of the range, but designs and markets all of it. Exports represent more than half of the company's total sales.

Several of this year's award winners have also focused their activities on designing and marketing goods rather than manufacturing The Designers Guild, which

has lifted its ercorts of home furnishings from £5m a year to £25m a year over the past decade, also manufactures nothing. Its strength, it says, lles in the design skills of the company's founder, Tricia Guild.

The author of six design books, Ms Guild leads a team of designers in creating everything from furnishing fabrics to china.

Garigue, another of the winners in this sector, is also a designing company. One of the smallest export award winners. with a turnover of £2.5m, it has just three employees: the founder, Edmund Garigue, his wife and his son.

Mr Garigue is 79 years old and still full of energy. He first began working in the textiles industry in 1930, aged 14, but it was not until after the second world war that he began to design fabrics for the Paris conture.

He describes his long and

You want to talk about colours? Have you got several

hours?' alow climb to fame with a burning passion: his specialty may be wool, be says, but his

hobby is physics. "I try to accent people's movements with my fabrics, by

twisting the yarn so that it bounces light. With a triple twist, it even creates a small aura of colour around the "For 37 years, I ran an over-

draft, but not for the last 10. Now everyone wants us," he Says When it comes to colour,

John Walsh of Abraham Moon can also become wrapped up in his subject. "You want to talk about colours? Have you got several hours?" he says.

Colour, Mr Walsh says, and export sales, lie at the heart of Moon's success as a manufacturer of woven wool fabrics

"We have alwys been geared towards exposs; in the 1890s we had contacts in Japan." says Mr Wah. However, between 1993 od 1995, Moon lifted its expose by 80 per-cent. "There were soven nills in

Leeds. Now there is my one: ours - the last two & close down have been refurthed as a McDonald's Drive-Inand a multi-gym."

Moon has a design four. They all have designs in textile design: three other from Leeds University.

The whole range be OUT handwriting, but our scenes lies in adapting our colors to the nuances of each majet." says Mr Walsh.

"In Japan, our custolers have different skin tones.nd they certainly do not wanthe large checks that we sell inthe

"In Europe, Italy is one our top markets. They love British look. But their ident British is more classical ad exact than ever the Britis

lool was. 'In France the British log can be positively oddball: a acril yellow, or wacky greet In Germany, there are jus strong colours that come and go with each season, dictates by faihion."

W could survive anywhere. We are in the UK for historical reasons. But since we are here; survival rests on constantly keeping in touch with our cus-We cannot sell to tomera Japan, without getting on a plane t Osaka, and talking to people." "We

"We lave to modify every-thing ad we have to keep coming p with new ideas. If we stood still, we would die." Mr Walsh says.

PROFILE Bridge of Weir Leather Winners in a material world

British beef may be off everyone's menu, but British cowhides have never been in greater demand, according to export award winner Bridge of Weir Leather.

"British cows are tagged in the ears, rather than branded. They are overwintered indoors. The cold climate means less insect damage. And the animal husbandry, generally, is among the best in the world," says Jonathon Muirhead, managing director of the company. As a result, tanneries in the

UK are working with found in law courts, hotels outstanding raw materials: and even the Houses of and It makes sense to process

tanning is capital intensive, rather than labour intensive "The main difficulty for tanneries in the UK is that their European customer base has contracted so much." says

Mr Muirhead. However, Bridge of Weir Leather's European market is tbriving. The company does not supply leather for handbags, belts and shoes. Instead, its leather covers the seats in the new British Library and the arm-rests in British Airway's upgraded first-class cabins. It is to be

Mercedes," says Mr Muirhead. These days, every car maker offers a leather option, even Skoda."

For Volvo, Saab, Honda and Renault that leather comes from Bridge of Weir Leather. The Renault contract is the company's most recent. Won last July and worth £3m a year, it took four years to prise from a French connettior. The decisive factor was Bridge of Weir Leather's

quick response time, and the March 1995, the company quality of its leather, says Mr reported pre-tax profits of just Mutrhead. However, while the

Bridge of Weir Leather is no exception. It has also spent money increasing the amount of waste that it recycles.

Such spending has put European tanneries at a disadvantage in the world market, says Mr Muirhead. with producers in Asia facing much more lenient regulations on effluent. However, with the investment now made, Bridge of Weir's margins are climbing again. In the year to



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Healthy.

them on the spot. Transporting raw cowhides to Asia costs more than freighting processed leather. And while much of the leather time when leather for car industry has decamped to Asia driven by labour costs. Rolls Royce, Jaguar and

Parliament. However, most of all it is in cars - with three-quarters of the company's sales made to the car industry. "There was a interiors was the preserve of

resurgence in leather car interiors has driven the company's export growth in recent years, profits have been more elusive.

In recent years, tanneries have had to invest heavily in cleaning up their effluent and

accounting for 90 per cent of sales, demand is surging in its newest market, south-east Asia. "We are getting some of our Asian orders through

much improved.

over £1m on its £26.8m

turnover. Last year, sales

to around £35m, with margins

Meanwhile, with exports

Seats of learning: Bridge of Weir's lea ther covers the chairs in the new British Library European customers, such as our leather is attracting the

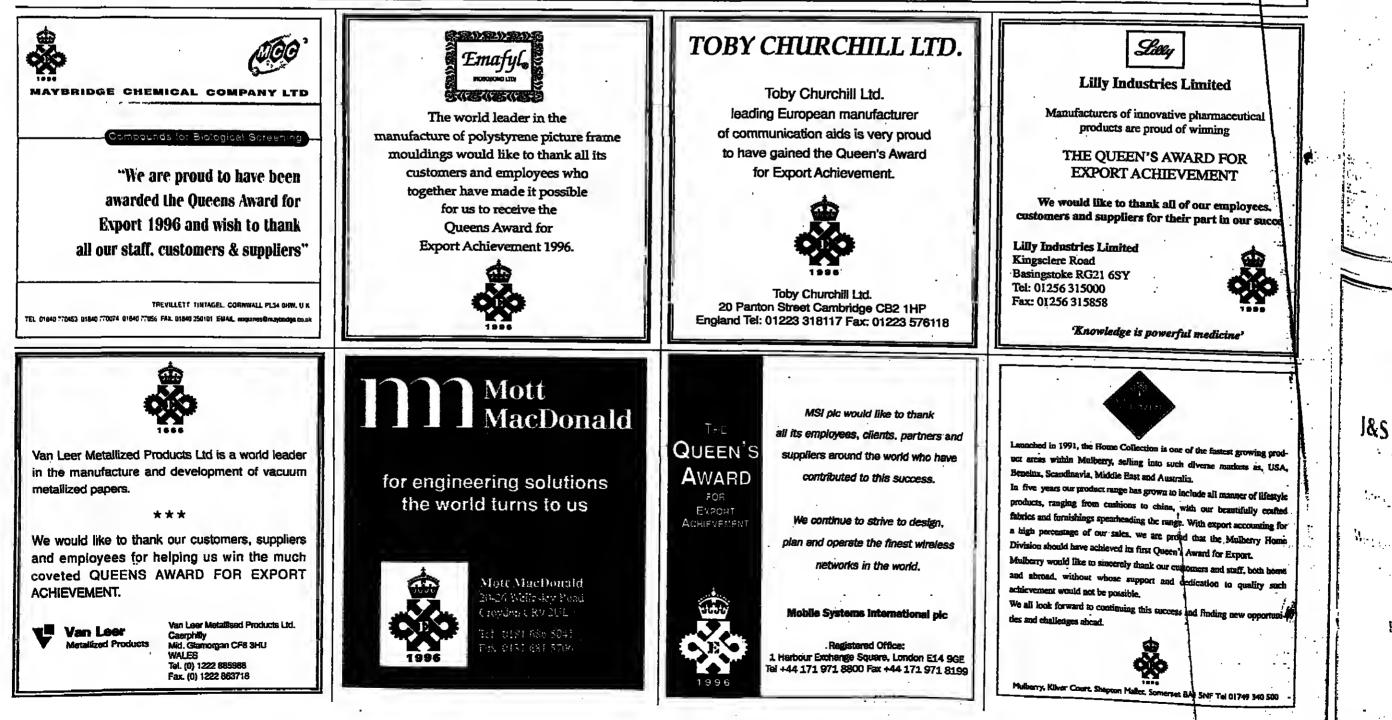
Volvo, who have themselves started producing in Asia," region's rapidly growing up-market audience." Typical is Singapore, where a large proportion of the

company's sales are to

domestic furniture manufacturers. "It is not easy to compete with the low-cost producers of Asia," says Mr Muirhead. "But we have quality and environmental

friendliness on o min and we are using those els to stay a step ahead."

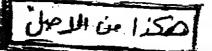
Jenny Luesb



says Mr Muirhead

"But we are also

discovering that the quality of



### THE QUEEN'S AWARDS FOR INDUSTRY 1996

obal marker, Awards for technological achievement by Andrew Baxter

### Healthy, ingenious As many as half of for magnetic resonance imag-

systems are built.

Bede Scientific Instrum

adiotherapy over Group, Electroni introl Systems mat

se and Vibration Sys

Westwind Bearings

ic Technolog

ts Divis

Marks and Spence

xo R&D

the winners this vear are healthcare-related

companies

The ingenuity of the UK's healthcare industry - in both research and development and. commercial exploitation of new products and processes - is reflected in the 1996 awards for technological achievement.

based at Crawley in West Sus-Eight of the 16 awards this sex, gains its award for develyear are healthcare-related. oping a multileaf "collimator" The others range from a system to reduce aircraft cabin noise to a new method of panel printing for clothing. Overall, the number of win-Company

Affinity Chromatography Amersham Heatthcare (Amersham International ners this year was down one from last year's 17, while the number of applications for Chas. A Elatchford & Sons, awards rose by one to 254. Digl-Media Vision The winners in the bealthcare sector range from diagnos-

tics to drugs, radiotherapy and Oxford Megnetic Techno Philips Medical Systems Radiotheracy medical products, and from household name companies to corporate minnows. They clude one of the two pairs of joint winners this year, Affin-Group Research Centra, Smith & Nephew Ultra Electronics ity Chromatography and Cambridge University's Institute of Biotechnology. Institute of Biology, University of Cambridge Wace Screen - Wakefield

in diagnostics, the Witneybased Oxford Magnet Technology gets an award for developing a C-shaped magnet design

for medical radiotherapy treating. Using a combination of ment. This comprises a set of resistive magnet and "iron 80 parallel leaves that are fityoke" technology, the design ted as an integral part of a allows access to the patient linear accelerator, replacing during the examination, which the beam blocks previously is not normally possible with used to shield healthy tissus non-superconducting systems. from the rectangular beam. The new approach provides an The leaves can be moved indiefficient low-cost alternative to vidually using computer-cona superconducting magnet. trolled motors. around which most MRI The drugs that have won

awards are Metastron and Imi-Philips Medical Systems. gran, developed respectively by Amersham Healthcare, a unit Bnckinghamshire-based of Amersham International, and

The Queen's Awards for Technological Achievement

Location

Ballasalla, Isle of Man

Little Chalfort, Bucks

Sowburn, Co. Durham

Basingstoka, Hampshin Eastleigh, Hampshira Greenford, Middlesex

Crawley, West Susse

Coventry, Warwickshire Dorcan, Wiltshire

York, North Yorkshire

Greenford, Middlesex

Cambridge, Cambs Wakafield, West Yorks Holton Heath, Dorset

London W1 Eynshem, Oxon

Product or development,

Drug for the treatment of bone metastases

Computer control for lower limb prosthetics

System for compressing television signals Drug treating migraine and cluster headache

Garment panel printing Magnet design for Magnetic Resource Imaging

Multileaf collimator for radiotherapy treatment

pranse for recharges

Modular range of electronic control units

Achesive thin film to cover small wounds

Samment panel printing arodynemic spinole for optical so

Direct-drive x-ray diffractometer

Protein separation

Glazo Research and Development. Metastron is a solution of Strontium-89 chloride used to ward off the pain from the secondary bone cancers (metastases) that can afflict sufferers of prostate and other cancers. A single injection of the solution provides pain relief for up to four to six months in the majority of patients treated.

and British

Glaxo's Imigran, meanwhile, is for the treatment of migraine and cluster headache. According to Glazo, clinical trials have shown that the drug

produces a more rapid and higher level of response than was achieved by previous treatments for migrains, and that any side-effects are mild and transient. Imigran can be taken orally or by injection and an auto injector has been developed to enable a patient to take prompt action during an attack. In medical products, a third

technology award in 20 years has gone to the products division of Basingstoke-based Chas. A. Blatchford and Sons, a world leader in the supply of lower artificial limbs. The award is for its Endolite Intelligent Prosthesis Plus system (IP+), which uses a micropro cessor controller in the artificial limb to allow the transfemoral (above knee) amputee to experience natural walking over a wide range of speeds. "For the first time, it allows

a rapid programming of the prosthesis," says Saced Zahedi, Blatchford's senior research engineer. After programming, the IP+ automatically provides five valve settings to cover the individual's range of walking

Smith & Nephew's group



rsham's Metestron has helped Scottish farmer Dick Webster get back to work John Co

cular catheters. A special polyarethane film controls moisture levels at the site of the wound, and eliminates the risk of contamination as bacteria cannot pass through it.

Wound care is also a market Swindon-based SciMAT, which specialises in the modification of polymeric materials and the subsequent creation of products with new capabilities. Its award, however, is for the development of improved membranes for the rechargeable battery industry. Basically, the SciMAT technology modifies the surface of polypropylene, increasingly being used as a separator in batteries, to make

permanently wettable. This allows it to absorb electrolyte without altering the basic properties that made the polypropylene suitable as a membrane in the first place. Elsewhere, the second joint award this year goes to Marks & Spencer and Wakefield-based Wace Screen for developing the Distron process, a "dry" discharge method of garment panel printing. The process uses an ink that contains a chemical that bleaches out the ground colour to give a design, with very low reject rates compared with conventional discharge processes. The other five award win-

ners were; Bede Scientific Instruments, of Bowburn, Co Durham, for an X-ray characterisation system used for the development and quality con-trol of advanced semiconductor devices; Hampshire-based Digi-Media Vision (an export award

winner too) for developing a aystem of compressing TV sig nals so that multiple programmes may be conveyed along a single channel, satellite or cable; Rover Group's electronics and control systems business for developing a modular range of electronic control units for the integrated control of engine fuelling, ignition and idle speed; the noise and vibra-tion aystems division of Greenford-based Ultra Electronics for its "anti-noise" system to reduce cabin noise in turboprop aircraft; and Poole-based Westwind Air Bearings for its aerodynamic spindles used in the rotary scanning industry. Applications range from mirror spinning to drum scanning. and from laser plotting to col our image setting.

Cambridge University's Institute of Biotechnology and Affinity Chromatography: protein separation technology PROFILE

# Leading from behind the scenes

Biotechnology is often thought of as a glamorous sector, but behind the scenes a great deal of painstaking work has been going on for decades in some of the enabling technologies belping to bring new treatments to the market at a

realistic price. One neglected area is separation technology. At least half the manufacturing cost of the protein pharmaceuticals emerging from recombinant processes is incurred at the separation and purification stage, compared to less than 5 per cent for conventional drugs.

**Cambridge University's Institute of** Biotechnology and Isle of Man-based Affinity Chromatography have jointly

won technology awards for developing an innovative means of separating protein pharmaceuticals that replaces several stages of previous separation methods, cutting costs sharply.... Interest is growing rapidly in

pharmaceutical proteins and market projections suggest their share of the total pharmaceutical market could rise sharply over the next decade. More than 50 have been approved or are awaiting approval. and at least 500 are in various stages of clinical trial. Worldwide sales figures of £30bn or more are projected for early in the 21st century. The problem is that recombinant technology produces a dilute and heavily

contaminated stream from which the

required protein has to be extracted. Your crude extract may contain 500 or 600 proteins," says Dr Chris Lowe, director of the institute. To reach the required level of purity, and leave behind material that could harm the patient, a number of fractionations are necessary to search for the required protein by size or shape, by its charge (positive or negative) or by other differentiators. But, says Dr Lowe, "with each step, you lose yield."

What is needed, be says, is a process that can quickly "target and fish out" the right protein, providing optimum yield and purity at the lowest cost. This is where affinity chromatography technology comes in: it emulates a feature of nature in which each individual protein

and the second s

is recognised by at least one other protein in an extremely precise measure. An affinity separation system can thus

protein-protein pair can be discovered, as it can be used to separate the other. Bot finding the matching protein and producing it in industrial quantities is hard, severely limiting any commercial

Dr Lowe's early work in this field had been followed with interest by Dr Ken Jones, a chromatographic entrepreneur. and in 1984 the two men met. By 1986, it was agreed that a basis for a technology transfer had been developed, and Affinity Chromatography was formed, with Dr Jones as chief executive and Dr Lowe as a institute have worked together to develop affinity chromatography into a commercial product.

financial resources - venture capitalists could not wait the expected 10 years or more before they would get any money back via acquisition or public flotation. The company's earliest products were molecules related to textile dyes, which were once thought - wrongly as lt

an experienced entrepreneur at the helm,

the company had to rely on directors'

emerged - to be the breakthrough that would revolutionise the protein separations market. But, belped by making early use of 3-D computer-assisted molecular modelling, the institute and the company have now developed new structures to emulate the protein-protein interactions occurring in nature. They claim to lead the world in designing "ligands", the molecules which interact selectively with the target proteins, while the company has a unique manufacturing plant in the Isle of Man producing the material.

Working together, the institute and the company design a complete separation system for each client'a targeted protein. scale it up, and help clients with regulatory approval. After all that, there is continuing work for the Isle of Man

company producing the material. Already, products have been sold in 29 countries, and exports have averaged 70 per cent of the total since sales began in

The company does not disclose sales, but the world market for affinity media is about £100m a year and likely to grow

With its technology lead, based on the ability to provide high-purity one-stage separations for all proteins, Affinity Chromatography bopes to capture an increasing share as the market expands.

**Andrew Baxter** 

Noise reducing system for turboprop alrcraft research centre, meanwhile, gains its award for developing aterials for separating protein pharmaceutical an adhesive thin film to cover small wounds, particularly those associated with intravas-

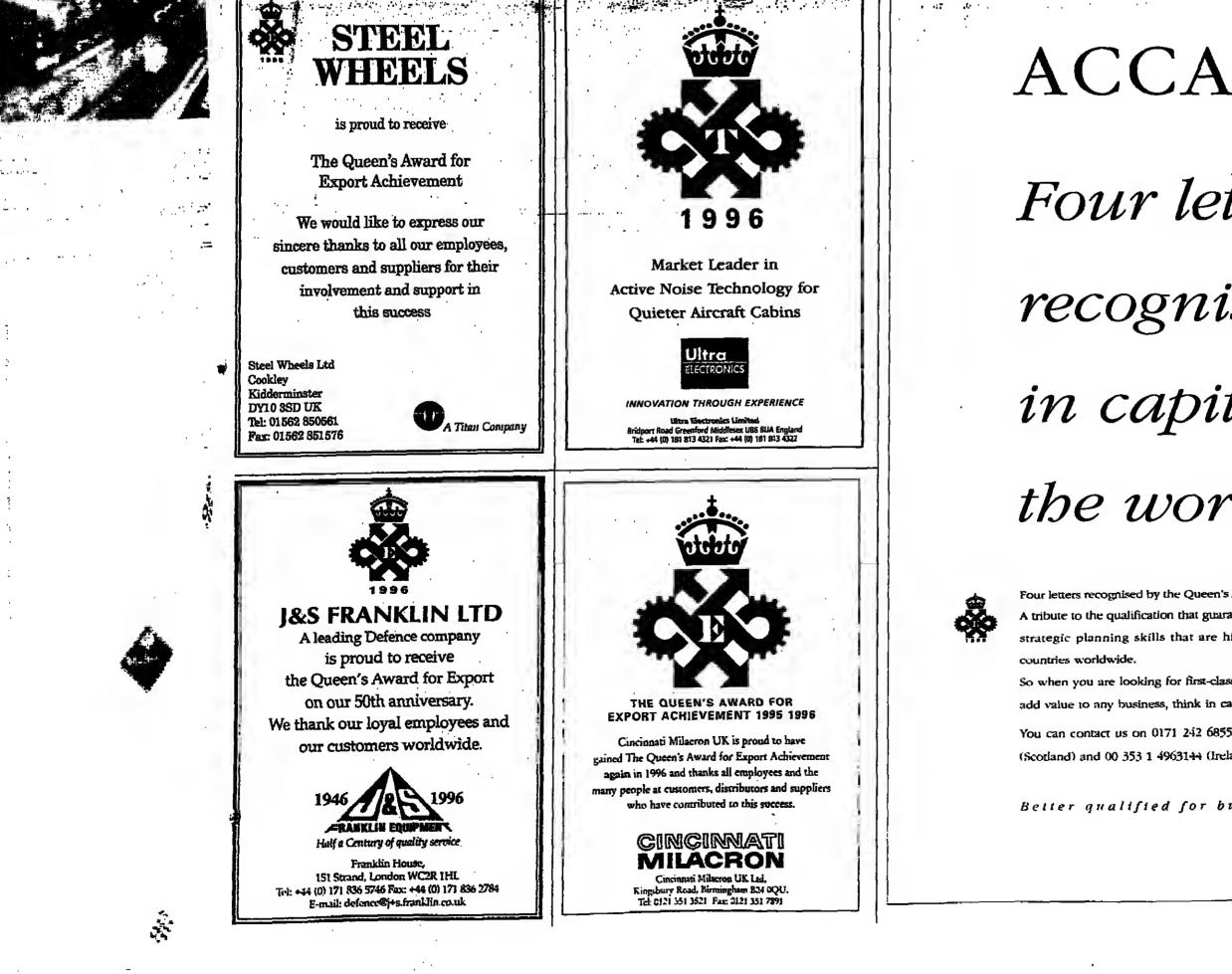
be created if one element of a

exploitation of the process. director, Since then, the company and the

Even with a detailed business plan and

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Better qualified for business

# THE QUEEN'S AWARDS FOR INDUSTRY 1996

Awards for environmental achievement: by Leyla Boulton

### JK among top six in world

Britain scores high on technological achievement – vet is near the bottom of the sales league

14

The Queen has this week rewarded environmental achievements ranging from treatment of smelly sewage to an environmentally-friendly washing machine. The other four winners in the environmental category are: energy-efficient electric motors, a low noise gear pump for fork-lift trucks, a fuel injection system for diesel engines and burners to reduce oxides of nitrogen emitted by power plants.

Environmentally-friendly technology is far from glamorous. But it is often touted as one of the great growth industries of the future, as environmental regulations tighten up and conservation of natural resources is seen as more important.

The awards for environmental achievement can be viewed against a backdrop of three separate developments. The first is a growing perception of the environment as a meaningful business opportunity on a worldwide scale, driven by environmental regulation.

Only last week, the Environmental Industries Commission. a lobby gronp, reiterated its omano that the government should do more to help British companies win business, it used Britain's main show for

environmental management ever, the environmental beneand equipment in Birmingham fits of such technological as the platform for its calls for advances have been eaten up tighter environmental regulaby increased traffic volumes tion and more export assisand fuel consumption. tance to compete with US, Ger-Even the EIC lobby group

man and Jananese connetitors. recognises that Britain, Although none of the award although close to the bottom of winners had a stand at the Birthe total sales league table, is mingham show, tha imporamong the top six innovators tance of regulation was recogin the world market for envinised by George Frankl, chief ronmental technology. engineer at Lucas Dlesel Half the companies rewarded Systems, when he said that by the Queen for environmenmarket penetration of its Electal performance this week have

tronic Unit Injector (EUI) sysalready won her award for tem, could "only increase as export achievement. emissions legislation tightens". Among them is International Combustion, the Rolls-Royce Ths company'a new approach to fuel injection subsidiary which is being equipment design had been rewarded for its range of Enviurred in the early 1980s by roNOX burners designed to cut the need to meet emission limemissions of NOx and other its anticipated at the time. pollutants from power stations.

The EUI, which can adjust The company's most important the timing and quantity of fuel market is the US, in part for each snccessive firing because of its stringent emisstroke, achieves a reduction in all diesel exhaust emissions, Air Act. particularly nOx and particulates. The latter are likely to be the subject of new regulations

in the future. In the past, how-

Company

year woo an export award, this year collects an environmental prize for low-noise "Stealth"

pumps. These pump oil aroun the bydraulic circuits of machines such as fork lift trucks and earthmoving equipment and 70 per cent of sales are exported.

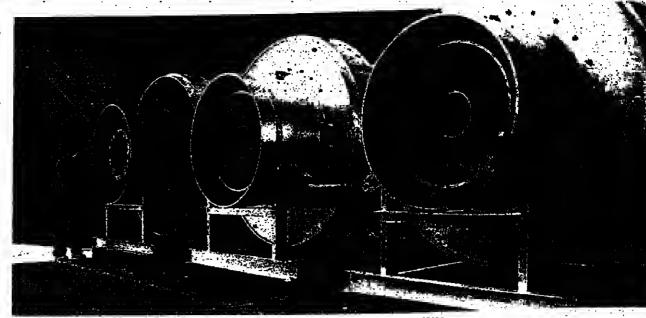
Another claim by EIC was that British companies got less support for research in environmental products than some of their foreign rivals. But Brook Hansen, the subsidiary of the BTR engineering group, said it had benefited from heavy investment from Its parent company in developing a new range of electric motors, dubbed "W". These had a significantly higher energy efficiency than existing induction motors and would ensure a "market transformation in industrial drives". The new range was the prod-

uct of a four-year £12m research project involving not just Brook Hansen, but also Cambridge and Sheffield universities, and backing from the government's Energy Efficiency Office. The second development was

sion controls under the Clean Ultra Hydraulics, which last a report earlier this year by the Product or development

Brook Hansen Hydro Cha nicals (Hydrocard Internal Combust Derby, Derbyshire Lucas Diegel Syste I ondon W3 Ultra Hydraulics Mobile Products Divis

The Queen's Awards for Environmental Achievement Location Huddersfield, West Yorkshire Electric motors Merthyr Tydfil, Mid Glamorgar Washing machines Immingham, South Humberside Liquid effluent treatment Burners for power stations Electronic unit injector sy Cheltenham, Gloucestershi External gear pumps



International Combustion, the Rolls-Royce subsidiary, is being rewarded for its range of EnviroNOX burners

As the company admits, however, previous inflated claims for green products make it likely that customers will be reluctant to accept as a reason for purchasing that the product delivers a cleaner, faster wash than leading competitive products. Green products, unless man-

report, they are inevitably connected to the issues it raised. dated by law, must therefore The only product in this either compete on price and year's awards that fits directly quality or prove to their cusinto the consumer category tomers - other businesses in addressed by the NCC report is the case of most of the Queen's Hoover's range of Soft and awards - that they can make New Wave washing machine money for them further down the line. The manufacturer claims that its machines not only save on Another development which

could affect the environmental tion, and detergent loss, but awards themselves was a call also have a relatively "green" last week by Britain's Institution of Civil Engineers. It said that the Queen's Award for Environmental Achievement

should be expanded to include. a special section for the provision of sustainable infrastructure.

Sustainable development. balancing economic growth with long-term global environmental considerations, is the ultimate challenge facing all

technology that aspires to be friendlier to the environment. A small group of big compa nies, including Norsk Hydro. the parent of Hydro Chemicals. whose Hydrocare effluent treatment division won an environmental award for its system to make severage smell less offensive, have aggressively sought to anticipate opportunities in the environ-

mental field With water an increasingly sensitive issue since last summer's shortages in parts of

Britain, the performance of water companies and the tech\*\*\*\* I RI TITALE S

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nology they use is coming under closer scrutiny. Hydrocare's Nutriox system, developed over the past five years, has already been embraced by Anglian Water and Yorkshire Water.

According to Hydrocare, the system has brought "welcome relief to thousands of people who, because of sewage smalls, have previously had to endure hot summer days sweltering indoors".

This was unable to save Yorkshire Water from public opprobrium last summer over its water supplies, but such technologies are likely to become increasingly important in future as water use moves up the environmental and industrial agenda.

product life-cycle - as indicated by the award for environmental performance. PROFILE Emafyl: plastic picture frame moulding manufacturers.

# **Breaking the moulding**

As general manager of Emafyl, a plastic picture frame moulding manufacturer which has just won a Queen's Award for Export Achievement, Arnie Kessel says be works "non-stop".

From four workers and 11,000 sq ft of factory space nine years ago, the company now employs nearly 500 people in a 300,000 sq ft factory. Pre-tax profits were £6m last year on sales of £22.5m, up from £3.3m on sales of £14m the year before. Of last year's sales 75 per cent were exported. The US is the east London-based

company's largest market - representing almost 85 per cent of the company's exports - but the polystyrene framing material is also sold in the rest of Europe. Australia, Japan, Korea, Taiwan, India,

Russia, and South Africa. The company was the brainchild of Howard Simon, director of Simon and Sons, which makes and distributes wood mouldings and to which Emafyl, owned. by the same family board members, is affiliated. After many years of experience at the

moulding material which could be mada to look like wood, but at less than half the price. A vast range of finishes can be used to emboss emafyl, paint, fill and line it, and

make it look like marble, granite or an antique Emafyl now has 50 of the specially adapted extrusion machines which make 4m ft of the moulding material a week. A total of 7,000 designs are made, which are

96-year-old family-owned company, Mr

Simon saw an opportunity for a flexible

### then sold on to picture frame

National Consumer Council

which found that many of the

environmentally-friendly

claims made by so-called green

products are at best irrelevant

But although none of the six companies which won awards

are mentioned in the NCC

energy bills, water consump-

and at worst misleading.

manufacturers. In the US, this is then sold on to retailers such as K-Mart and American Greetings Cards. Among the most popular designs are the "pasta mouldings" which contains a range of ornate embellishments similar to traditional Italian designs.

The innovatory nature of the product and the special machines used are behind the company's profitability, says Mr . Kessel

"The technical side is the story of our success," he says." The company also aims to be environmentally friendly. In addition to

recycling waste from the process. Mr

Kessel says: "For every 4m ft we manufacture, 700 ft of wood is saved." The price of the product, as well as being its advantage, has led to complications: Emafyl was the subject of an anti-dumping suit in the US last year. Marley of Marion, Virginia, a US-based company owned by Marley of the UK, accused Ematyl of selling its products at unfair prices, lower than UK ones. A preliminary ruling by the US International Trade Commission last year found Marley had shown "a reasonable indication that an industry in the US is threatened with material injury by reason. of imports from the UK".

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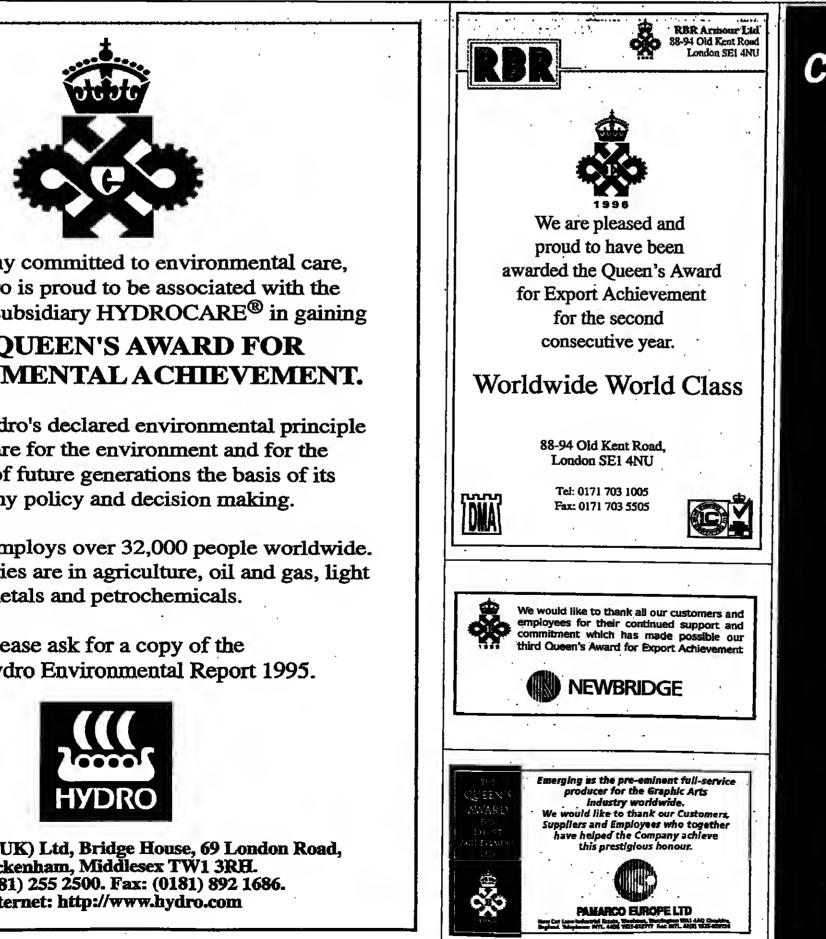
Mr Kessel, who described Marley as Goliath to Emafyl's David, says that, after Jane Martinson

giving evidence, the company is waiting for a verdict, not expected until later this year. We think we have proven the case," he savs.

In spite of this, the company s programme of re-investment will continue, Mr Kessel says. The factory is currently operating 24 hours a day, six days a week.

With a full order book the company expects turpover to increase almost 25 per cent this year, a rise which will cover more than 50 per cent of the world market, it says, with India and Japan the fastest growing markets this year.

Sector Sector Sector



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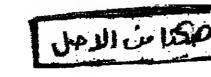
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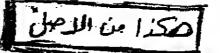
> Please ask for a copy of the Norsk Hydro Environmental Report 1995.



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### THIS WEEK

Henry Kissinger once asked: "Whom do I call to get Europe on the line?" Twenty years later, Dr K is still waiting for an answer.

Mr Europe does not exist. Jacques Delors came close, but he left Brussels 15 months ago. Jacques Santer, his successor as president of the European Commission, keeps his head down. Chancellor Helmut Kohl can call Bill in Washington or Boris in Moscow, hut he knows there are limits to German leadership in Europe.

However, President Jacques Chi-rac of France thinks he has a solution to the EU's missing voice. He is pushing for a new high-profile appointee to speak for the 15 mem-ber states. claiming that a Mr or Madame X would give a shot in the arm to the EU's embryonic common

foreign and security policy. Chirac has tabled the idea at the EU's inter-governmental conference now underway to review the Maasof Ministers, the decision-taking tricht treaty, although many people, body composed of cabinet ministers

Dr K's riddle still awaits an answer Santer included, suspect Chirac is playing a doubla game.

Chirac's job proposal looks at first like a device to reward Valéry Giscard d'Estaing, his coalition ally in France's 1995 presidential elections. Giscard covets a big joh, having stepped down as leader of the liberal UDF party this year.

Sending a power-hungry former French president to Brussels would be like letting an elephant loose in a circus. Smaller countries, which see the Commission as their guardian. are manning the harricades. However, Chirac's proposal can

be dressed up as principle; the EU needs a figure to represent its col-lective interests independent of the European Commission. That person should be the servant of the Council

from the member states. Chirac is whistling the old Gaull-ist tune that the Council is the seat of legitimacy and not the supranational Commission, whose responsi-

Henry Kissinger

discovered that Mr

but perhaps his

creation is now

overdue, writes

**Lionel Barber** 

### bilities in external affairs expanded DATELINE under Delors's leadership between 1985 and 1995, particularly in the management of aid to central and **Brussels:**

eastern Europe and the former Soviet Union. Chirac and Alain Juppé, his prime minister, also watched the Commission - under the guidance Europe does not exist, of the UK's Sir Leon Britten - negotiate a Gatt world trade agreement which necessarily ignored some of Paris's more extreme demands, Their conclusion: it is time to put

the Commission back on a leash. The British desperately seeking allies in the KGC negotiations, are playing along. In London the for-eign office has no intention of allowing the French a free hand on trade policy; but the idea of appointing a Mr X as a foreign policy front-man fits broader British plans to

PEOPLE

strengthen the Council at the dent to grind down opposition. And he has seen off most challengers to The UK acted two years ago with the dispatch of Brian Crowe, a senior career diplomat, to co-ordinate foreign policy inside the Coun-cil's secretarist. He reports to Jürgen Trumpf, tha mild-mannered ex-German ambassador in Brussels who is secretary-general.

The Trumpf-Crowe axis ought to be a strong combination, but it is struggting. It lacks high-grade manpower, and it faces resistance from the Commission in the shape of Günter Burghardt, an ex-Delors foreign policy aide.

Burghardt is a Commission activist par excellence. Unlike Britain's chancellor of the exchequer, Kenneth Clarke, Burghardt has read the Maastricht treaty - several times. He knows how to use law and prece-

National Security Council staff at the White House. Yet nobody in Europe is ready to import a federal ist model from the US. Hence the latest twist in the story: a proposal to create a new planning and analysis unit in Brussels which could act his empire and to his boss. Commisas a motor in foreign policy, anticisioner Hans van den Broek, the forpating crises such as the conflict in mer Dutch foreign minister. former Yugoslavia and preparing The cost of the turf battle has common positions to nurture a

been steep: the failure of the Com-European foreign policy "culture". High ideals come down to the promission to exercise fully its right of initiative in external political relasaic question of where to locate the tions, and the proliferation of fornew unit. Burghardt says it belongs eign policy power centres, with the to van den Broek. Trumpf, who is Council secretariat starting to build running hard himself to be Mr X. a parallel network, first in New wants first right of refusal. York, now in Geneva In an ideal world, the solution to

The outcome of this power strug-gle betweeo the Council and Comthe EU's identity crisis to foreign mission will provide a useful guide policy would be to adopt a bureanto the ideological battles at the IGC. cratic model on Washington lines. But it will not settle the other question on Dr Kissinger's mind: remembering France's solo diplo-The Commission, with its ready-made expertise, could evolve into an executive body like the US macy in the Middle East this week. state department. The Council secwill there ever be a European forretariat could function like the eign policy?

resolution of the dispute.

15

early next month at a previously scheduled Apple event in California for software developers. His presentation will also be closely watched by Apple investors, employees and customers. Industry analysts say it could be a "make or break event" for Apple and for Amelio.

Following in the footsteps of John Sculley, the former Pepsico executive who became known as a technology visionary when be served as Apple'a leader, and Michael Spindler, a no- nonsense manager who is now taking the blame for Apple's problems, Amelio aims to strike a balance, style-wise. "A successful manager in today's high technology business has to be

capable of articulating a vision for his company as well as being a strong implementer. If you have one without the other you are not successful," be said.

San Miguel chief shows his bottle

As a fifth-generation scion of a corporate dynasty, Andres Soriano M. chairman of the Philippines' San Miguel, ought to be a playboy tycoon by now, *writes Edward Luce in Manila*. However, events at last week's annual meeting in Manila, at which the brewery and consumer goods giant warned of a flat profits outlook suggest that Soriano isn't like that at all.

Educated at prep and public school in Sussex, England, and at the Wharton school of finance in the US, the Spanish-speaking chairman of San Miguel responded to the drama with anglo-saxon stoicism. Indeed, with a whitled-down 2 per cent family holding in the country's oldest blue chip enterprise, Soriano, 45. could

 Milanese scion to pilot Pirelli

Provera is the first non-family chairman, writes Andrew Hill

Marco Tronchetti Provera is possibly the most anti-establish-ment member of Italy's business adjusted to favour high-perfor-mance, high-margin products. In establishment

Scion of a noted Milanese industrial family, he has been chief executive of Pirelli, the tyre and cables group which is one of Italy'a largest and oldest industrial companies. since 1992, when its attempted bid for German tyremaker Continental went wrong. Last Friday he was named to succeed the 70-year-old Leopoldo Pirelli as chairman.

Yet he is also one of the most outspoken critics of the machinations of Italian politicians and of the sprawling Italian public sector, which he views as the biggest hindrance to Italy's economic drive. Speaking before yesterday'a elections, he said he was still atraid that Italy's aluggish progress towards a liberalised market could he reversed. "I see nobody prepared to define a different role for politics in this country," he said. "Politics here still has great economic weight, but its management [of the public sector] has failed."

Four or five years ago, critics might have levelled the same accusation at Pirelli itself. The group's ill-fated bid for Continental pluoged it into the red. About half of its L673bn (£280m) loss for 1991 was

cables, the group is doing pioneer-ing work in the development of pho-tonics - the high-speed transmis-sion of information as pulses of

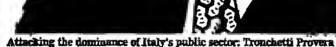
Tronchetti Provera believes Pirelli can do even better, but some financial benefits are already clear. Apart from the change of gnard at the top, Friday's other novelty was the announcement of Pirelli's first dividend payment for four years. As it happens, a small but substantial chunk of the payout will go to reward Tronchetti Provera himself, as his family company already controls, indirectly, more of Pirelli than the Pirellis.

This makes him appear another archetypal Italian antrepreneur, arrogating power as chairman, chief executive and main shareholder. He may not have been born a Pirelli, bot he married Leopoldo's daughter (they have since separated). He is even a keen yachtsman, which puts him metaphorically in the same boat as tycoons such as Gianni Agnelli of Flat and Carlo De Bene-

detti of Olivetti. Tronchetti Provera paints a differ-as lovaliv - to which I give great of the situation in Italy, where there the top job because he was the most suitable candidate. "At the time of the Conti crisis, I knew the group, and I had the experience to resolve the problem," he says simply. He knows how to delegate: the tyre and cable businesses are in the hands of two managing directors, while progress across the world is supervised through a new video-conferencing

laser light using optical filme and other components - and supercon-ducting power cables.

Stephanie Flanders · Economics Notebook



The first order of husiness, Amelio stated, will be to cut



### Amelio goes to the root of

Just 10 weeks after he stepped up to the task of rescuing Apple Computer, Gil Amelio, formerly chief executive of National Semiconductor and a member of Apple's board, has started to formulate a recovery plan for the ailing personal computer manufacturer, reports Louise Kehoe in San Francisco. Last week, in conference calls

press, and in an address to company employees broadcast to the company's sites worldwide, the new Apple chairman and chief executive began with a frank assessment of Apple's predicament.

Boy, we sure got ourselves in a fix," he said to employees. Apple reported losses of \$740m for the quarter ended March 29, including a \$388m write-off of excess inventories as well as restructuring charges. Sales , at \$2.2bn, were down 18 per cent from the same period last year.

Conjuangco, who is thought unlikely to win the protracted argument, claims about 50 per cent of the shares. San Miguel, Soriano continued, was also disadvantaged by the fact that its main competitor. Asia Brewery, was under-pricing its products by using tax loopholes. In short, what San Miguel needed was a level playing field, said Soriano **B** Elliott has just

### the job for Clubb

Ian Clubb, who continues collecting top jobs, becomes non-executive chairman of B Elliott, the diversified UK engineering group, in July, Simon Kuper reports in London

Clubb will continue as chairman of Central Transport Rental (CTR), the debt-laden trailer rental group formerly called Tipbook, and as non-executive director of a clutch of companies. He joined the B Elliott board a year ago, after meeting Michael Frye, its chief executive, on the board of TLG, formerly Thorn Lighting Group, where they are both non-executives.

Clubb impressed Frye with his financial background - a chartered accountant, he was finance director of BOC, the industrial gases company - and his far east expertise. B Elliott plans to set np more joint ventures in the region, and is likely to open an office in Malaysia soon.

Frye says the amount of time per day the new non-executive chairman gives B Elliott has yet to be decided. "He'll give what's needed," says Frye. Clubh succeeds Gerald Dennis, who is leaving the company for personal reasons. Clubb's past includes spells as Murdoch's British Sky Broadcasting, and as managing director of Carless, the oil independent. When he took over troubled CTR he said he wanted it to be seen "as often as a lizard drinking water", and to become "the most boring office in the country to work in" Robert Montague, the former chief executive, has since been declared bankrupt, but CTR has yet to become boring. Clubb is trying to arrange a debt restructuring, and the company reported increased interim pre-tax losses of £12.8m (£7.2m) for the six months to October 31.

SPECIAL

**OFFER!** 

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Apple's problems

with Wall Street analysts and the

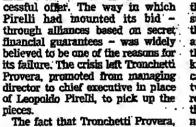
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network. 48, is to become the first non-Pirelli to chair the group is confirmation of his success. The company has been restructured to concentrate on the core husinesses, now run as antonomous subsidiaries.

Pirelli still produces a full range

As for the useful family connections, Tronchetti Provera prefers to highlight a personal affinity with Leopoldo Pirelli. 'Family links can he an advantage, and in certain other areas a handicap. In this case, the personal links have been of ben-

weight - and a moral vision of the role of the entrepreneur."

Tronchetti Provers claims it is no coincidence that Pirelli, despite its important role in public contracts, was one of the few large Italian companies not implicated in Italy's Tangentopoli bribery scandals.

That may be why the new chairman feels free to attack the dominance of the Italian public sector. and defend the network of privatesector alliances around Mediobanca, the secretive Milan merchant bank, of which Pirelli is an important shareholder - the so-called salotto buono, or good drawing room of Italian big business. "Criticism of the

was a great risk of total sovietisation. If this private nucleus hadn't existed, all the big companies would have finished up in the public sector." he says.

As Italy develops its own system of neutral institutional investors, be sees the defensive nucleus gradually reforming into simple share-holder alliances. He is unconvinced that the change from a public-sector to a private-sector mentality in Italy has enough momentum. But while he has "the trust of the shareholders and the desire to continue". he is likely to help it on its way from his prominent position at the head of the Pirelli boardroom table.

Apple is selling a large production plant, employing 1,100 people in Colorado and will lay off an additional 2.800 workers over the next 12 months. He is also moving quickly to shore up Apple's dwindling liquidity by renewing short-term loans and seeking additional financing.

The more taxing question for Amelio, however, is how to restore Apple's reputation for leading-edge technology and its sales growth. Rashly, perhaps, Amelio promised when he arrived at Apple to present his strategy for the company's "transformation" within 100 days. He is now planning an address

Roach cites the case of Boeing,

which recently struck a relatively

generous wage settlement with

striking machinists, and

announced that it would start hir-

ing again, with planned growth in

payrolls of 7,000-10,000 during the next few years. But, with little

more than 10 per cent of the pri-

vate sector workforce unionised.

relatively few workers are in a

position to force their employers'

In the two economists' view, if

companies do not choose to share

more of the gains of restructuring

with workers, the latter will press

for other, less benign, solutions in the upcoming general elections.

Tha doomsday scenario would be

for government to respond to vot-

ers' discontent with onerous new

regulations on business, increased

protectionism, and - putting the

quest for budget balance to one

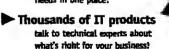
Now this does sound like scare-

hands

argue that he owes his chairmanship to merit rather than inheritance. Looking beyond the stock market flurry, the sober-suited Soriano said that the company's \$1.6bn overseas expansion, encompassing breweries in Vietnam, China, India and Indonesia, would reap medium-term dividends but had pushed up shart-term borrowing costs. Hamstrung by a share dispute with Eduardo Conjuangco, the former chairman of San Miguel who fled the country in 1986, San Miguel's chairman observed that the company was unable to tap the equity markets pending legal

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DON'T MISS IT!

Talkin' bout a revolution After years of downsizing and stagnant wages, will US workers take revenge? the US corporation from the mid-

Make no mistake. Wall Street and Main Street have been on very different paths over the past 13 years. Temporary divergences can be expected from time to time . . . (but) ultimately, the two paths must reach the same destination. That's what worker backlash is all about " These may sound like the words

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of a worker activist, or, perhaps, the born-again populist Patrick Buchanan, but in fact they are drawn from a recent investor update by Staphen Roach, the respected economist at Morgan Stanley in New York. For some time now, Roach has been urging his clients to adopt "the backlash play", a strategy which assumes that the bull run of the 1960s and early 1990s can only go so far, before workers start to demand a piece of the action.

He is not alone. David Hale, senior economist for Zurich Kemper Investments in Chicago, has recently woken up to the same possibility. In his view, the high protest vote for Buchaman in the early Republican primaries raised the question of whether "American industry's unfolding victory in global markets will be offset by a defeat for the hearts and minds of the American people .... " It would be easy to dismiss such claims as scare-mongering. But it is unarguable that the boom in US productivity and profits in recent years has been financed, in large part, by the US workforce. The. question is whether this pattern is likely to be reversed in the near future, either by workers themserves or the politicians they elect

to represent them. Roach's argument goes something like this. The restructuring of lier and 5% percentage points up on

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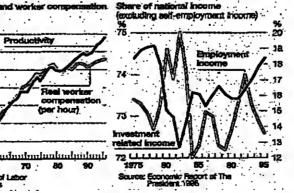
Grounds for a worker backlash? 1980s onwards has achieved a remarkable turnaround in US competitiveness. Productivity growth (1982=100) has picked up after years of poor parformance, labour costs and inflationary pressure have shrunk 120 dramatically, and corporate profitability has surged. But the miracle 100 has a dark side, namely mass layoffs and, most striking, a breaking of the age-old link between labour 80 ~ productivity growth, on the one hand, and real compensation (including benefits) on the other. 50 -A Economists always point to the latter relationship when responding to complaints about the slow-1950 . 60 to-non-existent growth in the real Source: Bureau of Labor incomes of most US bouseholds during the past 20 years. Stagnant the dark days of the 1980s recesreal wages, they argue, are the price the country pays for anasmic sion

productivity growth. Get productivity moving again and, sooner or later, living standards will follow. It has certainly not heen "sooner". As Roach notes, productivity in the US nonfarm business sector grew by 2 per cent per year, on average, in the first half of the over the long haul 1990s; but real compensation per employee has grown by a mere 0.6

per cent per year. As the graph shows, the gap between the two has shown up in a change in the distribution of national income. The share attributable to employee compensation was 72.6 per cent in 1995, nearly 11/2 percentage points lower than in 1992, and nearly 3 percentage points down on 1982. Meanwhile, investment-related income (including profits and rents) accounted for 18.4 per cent of national income last year. That was 2% percentage

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points higher than three years ear-



Esops.

Roach believes that the firstround of productivity gains from corporate restructuring had to be distributed to the owners of capital, rather than workers, so that companies could invest in the machinery and equipment needed to sustain higher worker productivity

The US corporate sector has been on an investment spree in recent years. Non-residential investment grew hy 21 per cent in real terms during the first half of the 1990s, against a rise of only 3 per cent in the previous five years. Yet, as the quotation indicates, Roach doubts that these haloyon days for US corporations can continue.

The basic principles of economic theory - not to mention the social and political well-being of the country - demand that the improvement in company balance sheets begin, finally, to show up in the

ing family. But how might such a reversal take place?

out of the problem, though none sounds overly plausible. The first would be for restructured companies to choose to give workers a larger stake in their success, either through boosting real wages and employment or, as Hale proposes, sharing their profits with employees more directly, through formal profit-sharing or hy encouraging more of them to participate in employee stock ownership plans (Esops) and the like. As he points out, the highly unequal distribution of equities in the US is one important reason for the divergence between Wall Street and Main Street. Only 13 per cent of US workers belong to profit sharing plans and just 3 per cent belong to

You need not have a very low opinion of US companies to wonder whether many would adopt these bank accounts of the average work- solutions of their own accord. while yet.

side - a good old fashioned dose of fiscal and monetary expansion. mongering True even Congressio nal Republicans are beginning to talk about increasing the federal minimum wage. But neither President Bill Clinton nor his opponent Senator Boh Dole seems willing to go far beyond this in terms of proposing specific measures to boost the average worker's pay packet.

In the end, bringing Wall Street and Main Street back into line will involve both companies starting to invest more in their in-house buman capital and government acting to improve the skills and education of the nation as a whole. Companies have little to fear in

such an outcome. But, on present reckoning, they will be travelling on a different path to workers for a

There are various possible routes

### MANAGEMENT

Michiyo Nakamoto on the challenges facing the first westerner to head a leading Japanese car maker

# New driver takes the whee

atience is a quality which will serve Henry Wallace well when he becomes the first westerner to head a leading Japanese car maker this summer

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The staid Scotsman, whose imminent elevation to the post of Mazda president follows Ford's recent decision to take a controlling 33 per cent stake in its long-time partner, speaks little Japanese, a language he finds obscure, and has had difficulty getting used to some aspects of the way business is done in Japan.

"I can't possibly understand all the nuances of Japanese culture," concedes Wallace, who has been with the company for the past two years as executive vice-president. The appointment of a foreigner, however, may be just what Mazda needs to shake it out of its complacency and expose it to new ideas.

Mazda reported consolidated pre-tax losses of Y37.2hn (£230m) in the year to March 1995 and Y47.4hn in the previous year. In the last calendar year, vehicle production in Japan fell 22 per cent to 773,000 units, or nearly half the peak level of I.4m units in 1990.

Understandably Mazda's new man at the wheel has sent a shiver of nervousness throughout the network of relationships of Mazda employees, suppliers and dealers which has supported the economic growth of Hiroshima, the company's home town whose residents are known to regard even people from Tokyo as outsiders.

Developments are also being watched, with some trepidation, throughout Japan where people wonder what will happen to the identity of a company which has done Japan proud. While no other national industry has faced similar pressures from overseas, many ask whether Mazda's fate provides a lesson to other Japanese companies.

Mazda's loss of independence can arguahly be traced to management flaws which have seen the company emphasise its production skills at the expense of strategy and marketing. Its experience belies the view widely held in the west that Japanese companies are better at adapting technologies to meet market needs than at inventing new technologies

Throughout its history Mazda has been an innovator of some highly acclaimed technologies, such as the rotary engine, and cars that are recognised for their superior engineering. In a market dominated by Toyota and Nissan the urge to differentiate ltself in this way has always been strong.

"Mazda people were told that if they copied others they would not be able to survive. So the corporate aim was to bring out

enry Wallace may have all the leadership skills that are considered important in the west. But. more important for his new job. be also has qualities that will be essential for the restructuring of Mazda under the. aegis of Ford.

A tall, green-eyed Scotsman with a serious demeanour, Wallace, who was raised in cial says. England, is described by his Japanese subordinates as "a real gentleman".

"The success of Mazda's restructuring depends critically on Wailace's personalmaintains one Mazda official. The sensitivity that Wallace has shown towards the Japanese way of doing things distinguishes him from many aggressive westerners who try to push their views lenge. "The Japanese language is a very through on the grounds that they are right.

make a phone call. You pick

up the receiver, dial the num-

her, say your message, maybe

chat for a hit, say goodbye, hang up.

Easy as that. Now I am not so sure.

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be polite. listen actively, ask open questions, and repeat back what

they have said to you. After the call

make that call.

products that were unique," notes Hiro Akutagawa, a senior staff manager in public relations. The drive to develop innovative technolo-

gies and an emphasis on manufacturing excellence, which Mazda shares with many other Japanese manufacturers, fostered an environment in which engineers had tremendous influence.

But, while the concentration on production has undouhtedly been crucial to the success of Mazda, that success obscured an astonishing disregard for key management issues that many managers would consider equally important for the viability of a company, such as corporate strategy and financial controls.

When Wallace and his team of three other managers from Ford arrived at Mazda in 1994, they discovered a company without clearly defined strategic goals.

Instead, Mazda was run by a number of competing fiefs, or "amoehas", as one Mazda official notes, each out to serve its own interests.

As a result, products were developed without concern for the overall corporate strategy. For example, in the 1980s, Mazda's overseas marketing division asked the R&D division to develop a mini-van - known as a mnlti-purpose "people carrier" - outside the US, years ahead of its Japanese competitors.

But once the mini-van was developed, the domestic marketing team rejected it, leaving the overseas marketing division to sell it in the US alooe. As a result, when demand for recreational vehicles exploded in Japan in the 1990s, Mazda was left without a competitive product on offer.

"We were not making decisions on a corporate level," concedes one Japanese official who was involved in the project at the time.

While the lack of a coberent corporate strategy may have been more pronounced at Mazda than at most Japanese companies, to a large extent the lack of management direction stems from a characteristically Japanese emphasis on consensus and a reluctance to create discord within the

Rather than formulate corporate strategy and then try to build a consensus around It. Mazda management has, in the interests of harmony, been happy to avoid doing either. "Management conferences used to be like approval ceremonies," explains one official. The timetable, which allotted three minutes for discussion of each item on the agenda, was strictly adhered to, and although there was no real consensus, nobody dared to express an opinion, much less opposition. he says.



Henry Wallace: 'I can't possibly understand all the nuances of Japanese culture'

Tadahiko Takiguchi, managing director in charge of product planning and R&D. In the past two years that they have been with Mazda, Wallace and his Ford team

have inflicted shock therapy oo that corpo-

earned themselves the title of the "Gang of Four from Ford". Officials at Mazda confirm that things

have already started to change. "People who had suppressed their views have sud-"In Japan, silence is golden," explains rate culture and in the process they have denly started to speak up and management

conferences have become occasions for real

debate," says one. The foreigners have also introduced a greater emphasis on quantitative market data than had been the practice at Mazda previously.

Marketing at Mazda, which prided itself on its technological innovations, had depended on what products its engineers wanted to make, rather than on what the market said customers wanted.

"There is something fuzzy about the way Japanese do things," concedes Yoshihiro Wada, the outgoing president who was sent in to Mazda four years ago by Sumitomo Bank, its main bank.

"But the men from Ford said if you can't get that data you must be hiding it," notes Takiguchi. Under their influence, decisions on design are no longer left up to the subjective feeling of the designers, while sales forecasts are based on a more rigorous examination of market data.

"Mazda has become less product driven and more market driven," Takiguchi points ont

Financial controls are also more rigorously enforced. Under the guidance of Wallace, who was finance director on the team behind Ford's first real world car, known as the Mondeo in Europe, Mazda's profit outlook is now reviewed monthly, rather than every six months, "so that corrective mea-sures can be implemented rapidly", Wallace

Ford's changes have already met some resistance. There are fears that Mazda's identity will be lost, that treasured projects such as the rotary engine will be drouped and that Mazda will become just a small piece in Ford's global strategy. Employees worry that "Mazda will no longer be a place where they can fulfil their dreams", says one Mazda official,

However, on the wonle, most managers welcome the clear direction they believe Ford can provide. "No matter what colour the eyes of management are, as long as Mazda can sell good products we will be happy," one manager observes.

That view is supported by a greater recognition that Mazda needs to change if it is to survive the challenges of a harsher market environment.

By combining Mazda's product development and manufacturing skills with Ford's management expertise, the bope is that Mazda will become a much stronger company. "By mixing the two different cultures, I believe we can make a new Mazda," Wada

But "it will take time", he adds. "You can't expect a long-distance runner to hecome a sbort-distance champion overnight."

mployees that he considers biniself part of the Mazda team, Wallace has earned the trust of many people who may initially

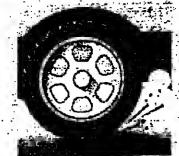
Japanese people view the executives who came from Ford as foreigners. But the ludividuals think of themselves as Mazda people. "Ford has chosen its men very carefully," says Yoshihiro Wada, Mazda's outgoing president.

Although a skilled golfer, an accomplishsensus in the organisation than you do in ment which has won him the respect of the west because even if you have consensus at the management level if you don't Japanese husinessmen, Wallace is also a private person who generally keeps busifingerprint recognition for ness and family affairs separate. "That is actually a relief," says one Mazda official. "If we were constantly invited over to his house, we would feel true. By sending a clear message to Mazda very uncomfortable." he explains.

that solve problems and meet

needs", says the press release. All of

what does that make the Tories innovative products and services



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FAST TRACK Cambridge

# Neurodynamics

Six years ago, when Mika Lynch, a researcher at **Cambridge University's** engineering department, decided to turn his research into a business, his bank refused to back him. "In those days it was difficult to raise finance in a complicated area," he says.

His proposal was inde dauntingly technical. He wanted to tackle some difficult problems in automatic pattern recognition by applying advanced signal processing techniques to the branch of computing known as peural networks.

But a short-term loan of £2,000 from a friend was enough to get the business started and. within a few months, it was

making profits. Profitability of the company, called Cambridge Neurodynamics, has since risen steadily; it now makes more than film profit a year. on ... turnover of £2.5m.

its credibility also grew, its arketing partners include ICL. Unisys, Racal, Data General: its customers inclusie the police and the Ministry of Defence. Last year, it received a £2m investment from Apax Parmers, the venture capitalists, which describes the company as.

"stunning". The business is built on the pattern recognition abilities of neural networks. These nets, which are composed of many small processors working together, are canable of searching for patterns that are more complex than conventional computers could handle. ...-.

For example, car mumber plates are difficult to read automatically asing conventional programming techniques, because they may be muddy, broken or moving. Neural networks can deal with distortions, because they are "trained", by exposure to a wide range of examples, they have the brainpower of a. slug. I would compare them to a retarded slug," says Lynch. He believes they should only

replace routine tasks. Examples of tasks tackled by eural networks include

'A real gentleman

"Wallace is gentle and polite. If he had hut what you haven't said that is imporbeen an 800lb gorilla [forcing his views on us], it would never have worked," the offi-

Wallace, who is 50, has some experience time-consuming, it can be very frustrating with foreign cultures, having spent three years in Mexico and two years in Venefor someone with an agenda. "There's a certain level lost in translation so yon're zuela. A graduate of Leicester University really going through two levels of transla-

# HY & CH

lace has demonstrated an understanding of tant, so that makes it difficult," be says. the peculiarities of Japanese culture, where The need to communicate through an relationships and consensus building are interpreter most of the time is not only crucial to getting anything done.

with a degree in economics, he speaks tion," he explains. Spanish and German in addition to his

native Englisb. Japanese has clearly been more of a challenge. "The Japanese language is a very

As a result, brain-storming takes on a different meaning in Japan. "I have a short concentration span and it's easy for your mind to wander off to other subjects." But even with his limited Japanese, Wal-

Making the most of your phone

have consensus at a lower level, things won't go smoothly." he says.

"You have to have a higher level of con-

For a company like Mazda, based in a provincial city where people tend to be rather inward-looking, this is particularly

police work and for security purposes, cheque reading, credit. assessments, freight identification and facial recognition systems. In most cases, humans are needed to complete and confirm their findings.

The company - which is now based in Cambridge's St John's Innovation Park - has recently set its sights on the potentially buge market of "intelligent. agents", a type of software that can perform tasks autonomously over a network.

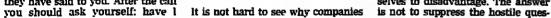
which makes me proud of this paper's logo, an "FT" in pink. Cambridge Neurodynamics' AutoNomy software can "learn" what a user wants from the -: Internet, and then search and retrieve it. It is capable of Last week I complained that I was refining its search according to finding it hard to get used to a the user's response to the items that it has already selected. Cambridge Neurodynamics is currently negotiating a marketing partnership for the agent software, which it expects will cost less than £100. Lynch is convinced that the software will be a best-seller. He dismisses sceptics who believe that US companies will inevitably lead this field, by pointing out that Cambridge is one of the three top centres in the world for research on neural networks.

Vanessa Houlder

used to think I knew how to achieved what I wanted? Even by the standards of facile pamphlets this one takes some beating. Much of the advice it gives is wrong headed: there is nothing more irritating than talking to someone who keeps using your name and summarising whatever point you have just made. The pamphlet comes with some

four steps to making a successful hizarre research telling us that custelephone call: planning, rehearstomers behave worse on the phone ing. performing and reviewing. You need to set goals and find out what than when buying in shops. It finds that nearly half of phone shoppers the call is meant to achieve. You eat or cook when on the phone, and must think about the best time to ber you must give your name to the person on the other end, and show you value them by using their name. Body language is also criti-

17 per cent doodle or watch the TV. Even if these numbers are true, 1 can't see the prohlem. If I cook or watch telly when I'm ringing First Direct to check my bank balance, it is not because I'm not making the most of the phone. It is because I am making the most of it. If only one could cook the dinner while shopping at the supermarket.



Lucy Kellaway

are looking for ways of keeping agitioners but to find chairmen who can take the flak. tators out of their AGMs. The time and expense involved in circulating

shareholders' motions is only part of it. The main motivation must be simple fear. Chairmen are terrified lest they be subjected to the sort of to just 3p a can as supermarkets embarked on another round of price rumpus that met Mr Richard Giordano at Britisb Gas's AGM last year. Most chairmen are remarkahly poor at handling hostile questions. No matter how much rehears-ing they have received from their PR firms beforehand they still end up getting cross. fumbling the question, or generally showing them-selves to disadvantage. The answer

It has been a bad week for baked beans. Not only did their price fall cutting, but their image fell even lower in one of the feeblest Conservative Party campaigns ever. This showed cabinet ministers grinning inanely between two piles of baked bean tins, one of which was marked "Liheral Democrat half-baked beans" and the other "Labour hasbeans". How frightfully amusing. So .

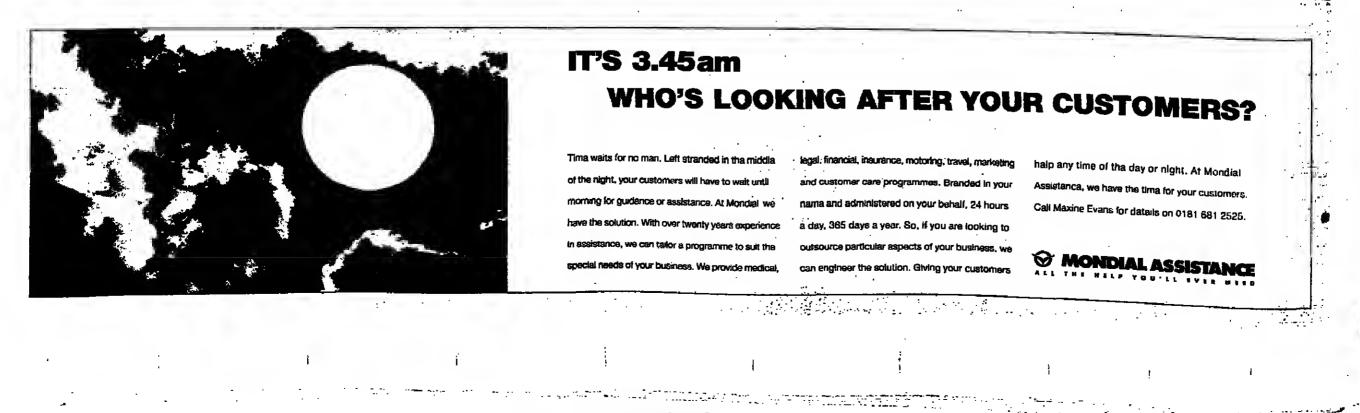
"Imation", you may be interested to know, is a new word that has been

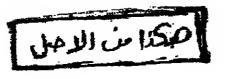
there, done that"?

themselves? "Conservative bean

created to name a 3M offshoot that is shortly to be floated. In celebration of the name the company has released a 40-page press pack com-plete with photographa, slides, floppy discs and tips on how to pro-nounce the word. At first, the company's fall name will be: "Imation -Borne of 3M Innovation", although it will drop the subtitle as soon as people have heard of it. Or, in the company's words, as soon as benchmark awareness levels are achieved". To my eye tha logo shows a hand-holding a magic wand with noughts and crosses coming from the end of it. But it seems I am missing something: "The hand emphasises the entrepreneurial role employees will play in working closely with customers to create

minor alteration to our computer system, and concluded that achieving real change at work was well nigh impossible. Since then I have received a stack of letters and faxes from consultants who make a living out of corporate change. They all assure me that wholesale change is perfectly possible, so long as you follow their unique change management programmes. Many of these involve a series of simple steps: acknowledging the need for change, deciding upon which changes are necessary, communicating those changes, and then reviewing the process. It acems that changing your company is easier than making a phone call.





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In recognition of this many managers are now being trained to talk to their employees more effectively. Many hope to win extra business through better communications with clients.

The golden rules, says Cristina Stuart, managing director of SpeakEasy. which trains managers to improve their communications skills, are: Look at people do not depend on notes; Pause more often; Always stand if you can; Avoid fiddling - it betrays nervousness; Simplify what you have to say, using anecdotes rather than figures.

Above all, she says, smile and look friendly - most prospective clients want to do business with people they like. "The more senior the manager, the more concerned they are about coming across as flippant and not being taken seriously," she adds.

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and want to employ an extra professor but do not have enough cash in the bank? The answer could be to advertise on an academic network to find another business school which is happy to make a joint

appointment, splitting the cost. Bringing such people together is one of the roles of the European Institute for Advanced Studies in Management (EIASM) in Brussels, which is celebrating its 25th anniversary this year. Elsewhere it educates doctoral students and organises seminars.

"I would describe the institute as a network," says Gerry Van Dyck, EIASM's recently appointed director. EIASM started life as a Anglo-American initiative, intended to spearhead American-style business education tech-niques in Europe. The optimism of 25 years ago was bolstered by funding from European governments. The last government cash evaporated last year and a hard-headed financial reality has now replaced the blue skies approach to management research of the 1970s.

Van Dyck, the only full-time director of EIASM since the first incumbent in the job two decades ago, sees her role as masterminding the transition of the institute from a purely academic to a truly commercial organisation. "The task for the future is to translate academic research for businesses and get more input from business communities to target research. As resources are get-

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That do you do if you are a ting more scarce research has to fulfil several functions," she says. Her aim over the past year has been members that are right. And if they are to persuade business schools to commit not right I prefer 75 that are right." themselves as institutional members of the organisation and to back their commitment with cash. So far, 52 have meetings - between 25 and 30 a year responded to her call but she is still on specific topics, accounting research,

**Participation in ELASM activities** 

and an and the second second

Della Bradshaw visits a European institution which is re-defining its role

Search for a silver lining

Number of participants by country. (top 6) 1994-95 .1993-94 300 250 200 150 100 50 -UK Source: EASM

looking for more. "I want the institute say, or production control. It also organises conferences and newsletters for outside organisations.

comprises three dimensions But by far its most innovative propersonal developm gramme gives doctoral research stugroup learning, and the dents the chance to work with those studying for doctorates in management at other European universities. transfer of learning to the business as a whole. The process takes 15 months The impetus behind Eden (EIASM's

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doctoral education network) was that doctoral study is a lonely business, with only a handful of students in each school. "But if we can get 20 together two from London Business School, two from Insead, and so on - we can provide them with very intensive one-week seminars," explains Van Dyck.

Eden comprises five one-week sessions over a two-year period. Each is taught by an acclaimed academic who waives traditional fees. "The strange thing is that these are people who can get tremendously high consultancy fees," points out Van Dyke. "The only way I can explain it is that working with doctoral students has a pay-off other than money."

Van Dyke intends to extend Eden



Tartan power takes on American advice The Wharton School is running R business leadership programme with Scottish Power which

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The UK operation of oil company Texaco has become the latest blue chip company to sign a partnership with a including participation in an business school to provide external course at one of four schools - Wharton, Kellogg, training for staff. City University's business school, in the beart of London, has been working with Texaco for almost a school is expected to provide a contrast in approaches and year to develop the range of programmes ranging from a single day course to a masters degree. City University: UK, (0)171 477

> How to develop a personal career path

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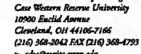
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combined masters degree in business administration and Many managers are now , on the concept of levelopment. In the his Ashridge ent College is wo free briefings on ct tomorrow in ter and on ay in West UK. (0)1727 850761.

Beigen	a Netherlanda Several Finland Ferror	into further disciplines - at the moment it covers only finance, account- ing and marketing. A third target is to expand the insti- tute's influence into eastern Europe. "Twenty-five years ago there was a per- ceived need to improve links between the US and Europe. Now there is a perceived need to extend our network between western Europe and eastern Europe," she says.	The degree is being personal development of this As personal development of a book of the subject tom management, and will provide a combination of Astridge: UK, (
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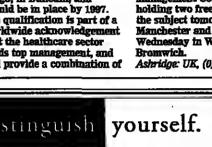
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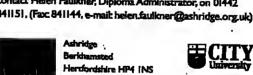
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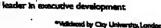
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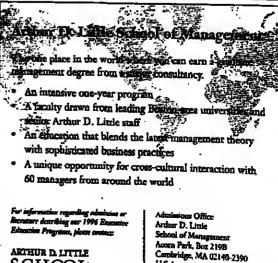
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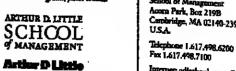
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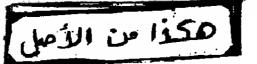


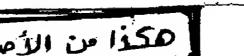


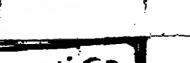


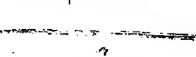
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### Travel News · Roger Bray

### Jerusalem hotel delay Tension following the Hamas bombings and beightened by israel's attacks on Lebanon have delayed the go-shead for two new Jerusalem hotels,

planned hy the Spanish chain Grupo Melia Sol. Luis del Olmo, marketing vice-president, says there is "a certain nervouspess" among the joint-venture partners involved in the projects, which are both conversions of existing buildings.

No more paperchase Tickeiless travel marches on. **USAir has become the latest** 

airline to dispense with tickets in favour of storing passenger details electronically. So far the system is available only to passengers booking domestic flights in the US direct, but the system will also cover bookings with USAir Express, a group of

Stubbed out regional and commuter Smokers are increasingly carriers which feed traffic into being treated as pariahs by the airline's main hubs. airlines. Finnair has just It does not yet extend to imposed a ban on most USAir Shuttle flights, which operate between Washington end of next year, while American Abrlines will forbid National, New York La Guardia and Boston. There are plans to include them smoking on all its 238 later, however, and to stretch trans-Atlantic flights from

the system to cover June 1, and on services International services. between the US and Under the system. Caribbean. customers are given an identification number when they make their reservations. At check-in they receive a boarding card on production of photographic identification. such as a passport. damage. European flights, and expects to extend it worldwide by the

Michael Holman commiserates with Tubby Fanshawe over flight changes to Africa

people chose

The growing threat of lawsuits is also persuading carriers that clean air is the way to go. Passengers irritated by smoke in the cabin have already taken legal action against at least one US airline, and cabin staff have launched a class action claiming long-term health Virtual information Travellers to the UK can now use the Internet to find a hotel close to the business they are visiting which most meets . their needs. And if they have

a predilection for Italian or

**BUSINESS TRAVEL** 

### Chinese food, say, they can predetermine where they ... would like to eat. A new service called Infernet (leisurehunt.com) allows them to bnme in on travel destinations and initiate a search within a given distance. They key in the standard of accommodation they want, and concentrate the choice on hotels offering conference facilities, for example, or those with swimming pools and exercise rooms, and the computer offers a list of suitable options. One weakness is that, so far, the programme shows only hotels which meet the criteria. So if nothing comes up to

scratch you have to retrace

your steps and adjust your requirements. But. Inswich-based Infernet plans to sharpen it so that it displays a list of those hotels which come closest.

Frequent shoppers KLM, the Dutch airline, has started awarding frequent flyer miles to duty and tax-free shoppers at Amsterdam's Schiphol airport Passengers get six points for every 20 guilders they spend. You need 10,000 points to qualify for an economy-class return ticket between London and Amsterdam, for example which works out at 830 litre

bottles of whisky.

### 0 2 0 18 0 18 0 2 0 17 0 19 Paris Ba Bz DI Zanch . BEIRUT DAMASCUS Life on ike Greta Garbo, most husiness travellers want to be alone. If

the wing **Roger Bray** finds some surprising national traits

in travellers conversations, work their charm on check-in staff to secure upgrades, shrug at their employers' travel poli-

about flying Air France. Singaporeans are the most work-oriented - the mnst likely nationality to take a laptop and most likely to bonk flights through tbe Internet, while travellers from Hong Kong are the most avid watchers of in-flight videos.

Meanwhile, the idealistic notinn that frequent flyer points should be poured into a company pot to help cut over-all costs is being greeted with a rising chorus of rhubarbs from British business travel-

Another survey shows that an increasing number of those condemned regularly to the red-eye from New York or forced to brave the vagaries of European air traffic control believe they, not their employers, sbould get the benefit of all those hours in the air.

when it investigated the issue last year for travel agency chain Carlson Wagonlit, Mori, the polling organisa-tinn, found that 67 per cent felt rewards such as Air Miles nugbt to be corporate property. This year the figure has dropped to 56 per cent. At the same time, more busi-4 #547#8.W

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ness traveliers are cashing in # admitting they had taken advantage. The OAG survey says 75 per cent cash them in, but finds that prinrity on wait-lists is seen as a more important frequent-flyer bonus than free lickets or gifts.

Even if the temptation of a free city break in Parts or a couple nf nights at a beach resort does not tax employees' consciences, It is clearly exerting strain on their relationships with travel managers. One in five nuw concedes that efforts to pile up the points creates a conflict with com-

pany travel policy, compared with only one in 10 last year. And about 14 per cent of those making bookings say they have been asked to break policy to beip travellers bump up the perks.

Mori does have some good news for finance directors. If the travellers questioned are to be believed, more than three-quarters are prepared to take cut-price, no-frills flights within Enrope,

This bairsbirt mentality does not extend to long-haul flights, where a comfy seat. remains top priority. But it augurs well for the likes of EasyJet, which already operates flights between Luton and Scotland and is about to start an Amsterdam service with one-way fares from £35.

Swite Group

osh." said Tubby Fan-shawe. "Utter tosh. 'Gatwick - gnteway to "Are you quite sure. Tubby?" Tubby retrieved the letter and did his best to smooth out Africo'," be read out. the creases. "See for yourself," Not so much a gateway as a

He was absolutely right. From March 18. travellers headbloody cul de sac, if you ask me. And what gets my goat is that British Airways think they can get away with treating us like idiots." With that, Tubby angrily crumpled the letter he was

reading, tossed it into the nearest asbtray, and summoned the waiter for a refill. I looked up from my Official Airline Guide, where I had been trying to work out whether it was possible to fly from Lilongwe to London via

Nairohi on a Thursday. -You've lost me, Tubby, What's up?" I asked the distinguished accountant with whom i bave sbared many an African journey. We were sitting in the top-floor cocktail bar at Nairobi's Inter-Continental hotel.

"Britisb Airways bave stopped using Heathrow for most of their flights to Africa." said Tubby. "Just been reading a letter from thai woman who keeps writing to me."

l couldn't believe my ears. Given a choice, among London airports, of Gatwick or Heathrow, most travellers choose Heathrow every time - not because it has better sbopping malls or more bamburger joints, but because it offers better connections, within Britain and to the rest of the world.

he said angrily.

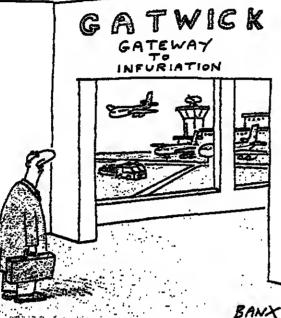
ing for Lilongwe, Harare, Entebbe, Lusaka, Kano, Nairobi or Dar es Solaam will depart from Ganvick, I read. Yours sin cerely, Carol Mickleburgh, Monager, Executive Club.

"And take a look at the humpb that comes with the let-ter!" exclaimed Tubby. "Writ-ten by those advertising johnnies. When it comes to travelling in Africa, they don't know the difference between a baobab and a baboon's whatsit." Tubby's nicotine-stained

forefinger prodded the offending sentence. "Gatwick - gateway to Africa! I ask you!" He's been in a foul mood ever since be failed to qualify for a BA Executive Club gold card, and was downgraded to silver, "it's the last straw," be continued. "And what I resent most is the effrontery of it. Do

they think we're stupid?" lined the offending passages. l beckoned the walter, I read out: "It's no wonder "Explain," I said to Tubby, 22.5m once the refills had arrived. trovel through Gotwick in "What gets my goat," he told me, "is that these BA chaps try to pretend that they've done us 1995."

Africa, ibey didn'i . . . a favour. Listen to this." Paus-Tubby said. ing for a long draught of "March 18, BA passengers Tusker, the excellent local travelling on these African routes will join them." beer, Tubby thrust a BA brochure in front of me. "Read for "No bloody choice," said



yourself." Tubby had under-Tubby, "Carry on, it gets

worse. "So we all have something to goin from the chonges on March 18th." I choked on my ť0 cashew nuts, "BA is treating "Not if they were going to us like idiots," I told Tubby. "What, precisely, have I got to

gain? Tubhy could not resist grabhing the brochure, and reading the final passage himself. "Listen to this, Hollers: 'It's our

someone on a long flight, they would rather that person got stuck into a book or movie, **Driven to desperate measures** and ignored them. The world's most anti-social passengers are from Hong way of bringing Africa n little nearer.' If Gatwick is so won-Song, according to a report on derful, so convenient, why

don't they fly to Johannesburg from Gatwick? But oh no, it's still Heathrow," Tubby funed. "Why do you think that is?" I asked him, knowing that he next year. was going to tell me anyway.

"Because competition on the Johanneshurg route is pretty stiff, that's wby. South African Airways is the only African airline that can give BA a run for its money - at least till recently. 'Choose Gotrecently. Choose Got-wick ... BA is treating Africa passengers as second-class citizens. We have no choice, it's like it or lump

Tubby fell silent. "Perhaps we do have a choice," be said. "Kenya Airweys flies to Heathrow, and by all accounts tbey're now a decent outfit. privatised, done a deal with KLM. And there is also Alliance Airlines, who fly direct from Heathrow to Entebbe," l got his drift. "Tubby, sleep on it. Too much is at stake. Think of your Air Miles." But

Tubby had made up his mind. "The time has come." he declared. "Principles are at stake . . . " And with that he extracted the scissors from his Swiss Army knife, and in a gesture that brought tears to my eyes, cut his BA Executive Club silver card in half.

A proud man had been driven to desperate measures.

the loves and hates of business travellers. Perhaps they do not want to be drawn into conversation about what they intend to do after China's takeover Next come the British, who are most likely to complain abnut their neighbours to cabin staff. Americans, Germans and Singaporeans were found to be "marginally more friendly\*. Nearly 40 per cent of busi-pess travellers claim to have changed seats to avoid someone, says the latest Business

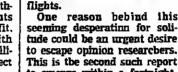
Travel Lifestyle Survey from **Official Airline Guides - and 9** per cent say they have suffered sexual harassment on flights. One reason bebind this seeming desperation for solitude could be an urgent desire

This is the second such report to emerge within a fortnight, just in Britain. It says the British are most

likely to be found chasing a drink in the executive lounge ing at home. They are least focused on work and career, least bothered whether the flight is on time, and most

for money. The French are most inclined to strike up in-flight

cies and are most patriotic

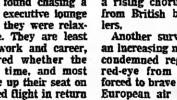


and wishing they were relax-

likely to give up their seat on an overbooked flight in return







# OUR BUSINESS CLASS IS NOW JUST A LITTLE MORE PERSONAL





Because business is done in a more personal way in Asia, our new Business Class now has more personal space, more personal comfort, more personal entertainment and more personal service.

### MORE PERSONAL SPACE

We know how much you value your space which is why we're giving you more of ir. 50% more legroom and 25% more sear recline on all our long-haul flights.

### MORE PERSONAL COMFORT

We've added a few creature comforts to your seat. An inflatable lumbar cushion supports your back and an adjustable headrest with special wings will cradle your head as you drift off to sleep.

### MORE PERSONAL ENTERTAINMENT

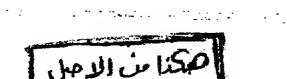
You'll find your toys in the armrest. An eight-channel PTV lets you choose from up to 112 hours of world class entertainment on our longest flights.

### MORE PERSONAL SERVICE

Our biggest change is the most personal of all. We've added more flight arrendants ro our long-haul Business Class cabins to serve you the best choice of Asian and Western cuisine. We're happy to offer a choice of up to four entries and two desserts at dinner, more Asian reas and, of course, what truly sets us apart - service that always comes from the heart.







### MEDIA FUTURES

# «Madison Ave ad agencies eye modem era

Net advertising recalls the dawn of TV, writes Victoria Griffith

means of games.

getting their product mes

provide information about

themselves; others assign oum-

bers to browsers during the

of Nielsen's TV ratings may

soon emerge. Already, a group

called NPD is measuring a

cross-section of personal com-

traditiooal advertising agen-

cies in the new multimedia

world is the increasing use of video oo the Net. New com-

pression techniques such as Java and Sbock Wave allow

While there may be similari-

That may explain why many

One development favouring

Yet the Internet equivalent

one analyst.

active advertising slack.

climb up the ladder."

predicts Lehoullier.

log-on process.

puter activity.

n the late 1950s, in the US, an exciting but frightening new media form shook offer investment advice to Madison Avenue's big advertising agencies: television.

Advertising agencies scrambled to form new "television" departments, and struggled with new advertising concepts. Today those agencies - or their descendants - are forming "interactive" departments to grapple with new media and are studying the early days of television for inspiration.

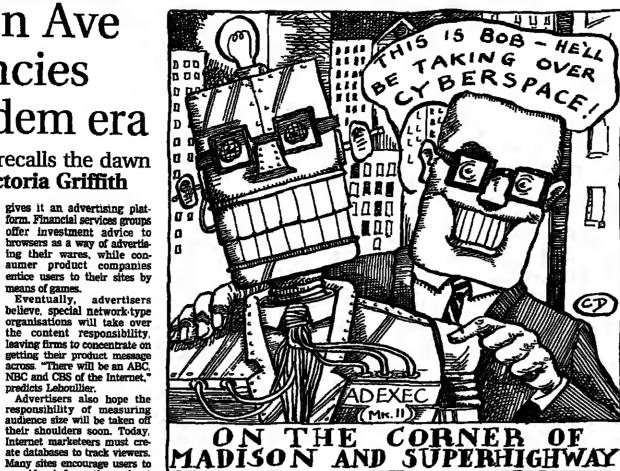
"We've taken a look at the experience of TV to try to get an idea of what might happeo with the new digital media," saya Norman Lehoullier, head of agency Grey Interactive. "We're facing the same excitement - and some of the same demons, too."

Television three decades ago offered fabulous new marketing opportunitles. Suddenly, product demonstrations, which had heeo restricted to small gatherings, could be conducted in front of millions simultaneously.

Yet televisioo was perplexing as well. Programming was scant and often ill-made, and advertisers had oo way of knowing how many people they were reaching. However, with the help of ratings from Nielsen, tha market research company, and shows like I Love Lucy, these challenges were soon resolved.

users to download cllps quickly. "The internet will look more and more like televi-Advertising ageocies now hope their experience with the sion, which favours agencies Internet will follow a similarly like ours," says Michael Troiano, head of Ogilvy & happy course, Advertisers oo the Internet are facing a con-Mather Interactive tent vacuum, Cyberspace is information-heavy in some ties between the birth of televiareas, such as sports, but light in others, like fashion. "Where sion and the rise of the Internet, there are also important do we place the ads for womdifferences. Cyberspace is far more technologically taxing en's prodocts?" asks Norman Lehoullier, "In the 1950s, than television, and - unlike television - the technology will prohably continue to advertisers worked closely with the content providers to come up with the right change, at great speed, over vehicles [programmes]. On the many years. Internet, we're going to have to do the same thing." ad agencies have been slow to

Bristol Myers, for instance, runs a site called Women's seize opportunities in cyberspace. "Madison Avenue firms are not known for their techno-Link, which provides informalogical prowess, which is probtion on beanty, fitness and women'a health issoes, and ably why a number of them are



getting in a little late," says thousand dollars. Now, advertising firms say groups are The big US agencies still spending \$500,000 or more for a seem unsure what to do. Many,

single cyberspace spot. including Grey, Ogilvy & "We want our Internet adver-Mather and J Walter Thomptising to be fully integrated son, have set up "interactive" departments dedicated to with our hrand marketing," says Robin Carlson, a spokes cyberspace marketing. A few are ignoring the revolutioo person for Sprint. "That's why we chose J Walter Thompson altogether. Most continue to over a specialised agency, farm out substantial parts of because they are our advertistheir work to start-up compaing agency of record."

nies specialising in internet advertising firms like Californ-Yet the niche firms that hava sprung up during the last 18 months are sceptical of Madiia'a CKS Group, Boston'a Spin-ners and Washington's Magnet, son Avenue's ability to acquire which have taken up the intercyberspace expertise quickly. They are going to have a very "The big agencies were slugdifficult time finding experienced people," says Steven Conine, a partner at Spinners. gish in responding to the cyberspace opportunity," says Hunter Madson, bead of the "We know how hard it is to get newly-created JWT, a J Walter staff, because of our own prob-Thompson subsidiary specialis-ing in the Internet. "But most lems recruiting. But now we've [got] a head-start." have made substantial invest-Conine believes Internat

ments in this area recently to advertising is far more difficult than many of the big firms realise. "Anyone can set up a Web site, hot it's more complilient demand has pushed traditional agen-cies into action. Elghcated than that if you want to do it right." For instance, building up databases, coming teen months ago, advertising on the Internet was widely up with something that's userregarded as experimental. Now frieodly and creating links it is increasingly an important between various pages require computer programing skills part of an overall marketing strategy. Not long ago. compathat often exceed Madison Ave nies set np Web sites for a few nue's capability.

as defend

ness.

The fuzziness between direct marketing, sales and advertis-ing oo the Net further complicates life for the big agencies. Advertisers are heginning to send e-mail to clients on the information highway, for instance - similar in intent to direct mail campaigns. Other sites are set up to lead custom ers to a cyberspace purchase. The process involves credit card encryption and other technical challenges that may quickly wrong-foot traditional enci Madison Avenue is still largely ill at ease with cyberspace. Yet, as with television

three decades ago, analysts say the information highway is too significant a development for the large players to ignore. "The big advertising firms have a lot to offer clients looking to market their products in cyberspace," says one observer. "They know about brand image and they have a lot of creativity. At some point,

they are probably all going to have to develop capability in this area. The only uncertainty is how they'll do that - and how long it will take them."

### to spend on all kinds of products and services. It is also because the prescribing decisions they make on behalf of patients are worth over \$1 trilt to tion a year. Traditionally, drug compa-nies have great difficulty in selling their wares to doctors. They hire expensive, highly educated salesmen; yet these salesmeo spend remarkably few minutes of each day actu-ally talking to their "clients". Pharmaceutical reps are usually treated with such contempt that they are often forced to deliver a three-minute spiel while the doctor is

munching a sandwich between patients. No wonder doctors are flooded with gimmicky free gifts. The opportunity to deliver a sales pitch electronically, to a physician who is in a receptive mood, is therefore of immense value to drug companies. While the going rate for an average Internet user is about \$0.02 US per "impres-

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### Tim Jackson

# Doctoring the data

mand-aconomy healthcare 'system, pharmaceutical firm. entrepreneurship and medicine have traditionally

than in a civil servant.

selves - is based on two ideas

of great simplicity. Doctors can benefit disproportionately from the things that online

services can do, they are also, in the words of Dr Steve Zatz,

the company's chief execn-

tive, "a uniquely sponsorable

community." That is partly because US

physicians run small but

high-margin husinasses, which have plenty of money

together an impressive range of content that is delivered to been mutually exclusive. One doctors entirely free. The service'a 95.000 subscribers, phywould no more expect to find sicians all, can use a database business savvy in a doctor of 7m references in 3,700 journals. They can keep up with information on Aids using a The US is another country, they do things differently there. Hence, perhaps, the success of Physicians' Online separate news and information service; they can check descriptions of all drugs pre-(POL), a private Internet information service founded by three medical practitioners in 1994. Physicians' Online -

scribed by the Food and Drug Administration and many from abroad; and they can use the presence of the apostroa free e-mail service, introphe and the absence of any capital letters in the middle of duced last December, for referring patients to specialwords say something in them-

POL also offers an unusual twist on the chat services that in other circumstances are usually the refuge of lonely nerds in basements. The ser-vice invites famous specialists to go online for an evening, anunicating electronically with doctors from all over the country who want to quiz them about how to treat diffi-

cult cases. Sinca POL's foundation, managed healthcare has emerged as a new area of the business. With doctors spread across the country in thou-sands of offices, managed care organizations face a daunting challenge in bringing discipline to their operations. To cut healthcare costs, they must persuade doctors to follow common approaches in treatment, to prevent rather than cure, and to use fawer

brand-nama drugs and more low-cost treatments. Highly paid and educated as they tend to be, doctors resist being pushed around, POL'a service has emerged as a pow-erful tool that allows health-

doctors, so that they feel that

the guidelines and rules they are increasingly being asked

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care organisations to manage their network of doctors and to get information to them reliahly and quickly. Some have formed private intranets, encouraging the flow of information to, from and between

In Britain, slon" (per page of advertising making. These intranets can with its com- viewed), Dr Zatz says that two also have a side effect: they make doctors feel more like views a month by a doctor of members of a community and a page of information can be thus make care organisations worth "north of \$50" to a that use them more attractive POL has been able to put

19

than their competitors. This year, POL's growth seems to have accelerated. It now claims to be the seventh biggest online service in the US. It has nine pharmaceutical "sponsors" representing 21 product areas: by the end of 1996, 33 medical associations and societies and 13 managed care organisations will operata forums under its umbrella. And POL has just completed a new round of financing, adding AT&T Ventures and Advent International Corporation to its existing pool of venture-capital investors. It has also run up enough losses to make an

Internet public offering the logical next step. Where next? The possibili-ties are endless. Dr Zatz boasts that POL's first step

into continuing medical edu cation - allowing doctors to follow online courses at their own pace from their surgeries - attracted 1,000 takers in a single weekend. A new job agency is planned to bring increased efficiency to the medical employment market. which sees 40,000 doctors change jobs each year. POL could also become a market for buying medical supplies, with doctors picking up a bar-

gain order of surgical gloves when they go online to check a prescription. The company may admit therapists, phar-macists and foreign doctors to its service as paying guests, reflecting their lesser value to advertisers.

Perhaps most interesting are POL'a discussion groups, which have evolved into a medical version of technical support, where doctors offer each other peer-to-peer advice. Taken together, these activities have given POL the makings of a very profitable niche husiness on the Internet. But the service is more than that: it could also help deliver better medical care, at lower cost, to millions of people all over the world. tim.jackson@pobax.com

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**Rnpert** Mordoch's Newa International bas joined the Press Association, the UK'a national news ageocy. in an amhitious project to defend the £1.5bn (\$2.2hn) a year newspaper classified advertising market from electronic rivals.

The two organisations announce today that they plan to launch Classified Link UK, an interactive online classified advertising service for UK newspapers, in the last quarter of this year.

Participatiog oewspapers will be able to place all their classified advertislog oo a large central database at the PA'a headquarters in London.

of classified revenue to new ately become the largest UK classified advertising site on electrooic rivals would be the Net. harmful Users looking for a joh, bouse or a car will use search hy Lord Rothermere's Associwords to consult a database.

snould almost immedi

ated Newspapers gronp, is already aiming at the recruit-They will find relevant adverment advertising sector with tisements in an electronic trawl through the ads avail-ahle from the snbscrihing an online service. The comnewspapers. The pages pulled up will carry the name of the newspaper involved.

Each paper will be free to develop its own commercial policy on electronic classified whether to charge extra for the electronic service or oot. Classified advertising largely determines newspa-pers' economic health, particu-

pany encourages people to fill in a CV which is entered into the electronic database. During the next five years. the growth of Net and online services are expected to create an important market for clas-sified advertising. Richard Withey, director of new media at News loternational, believes oewspapers are ide-ally placed to take advantage

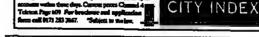
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PeopleBank, now controlled

active in electronic publishing and using the Net. The Times went on the Net earlier this year. Last year The Times Higher Education Supplement became the first UK publication to put all its classified advertising on the Net, a decision that led to significant Increases In circulatioo and advertising revenue.

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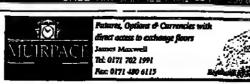
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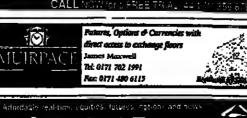
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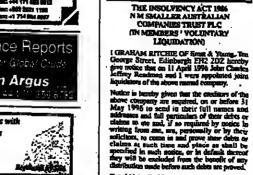
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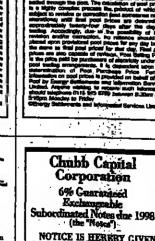


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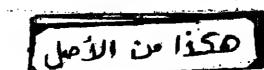
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(the "Notes") NOTICE IS HERERY CIVEN that, following a two for one stock phit approved by the Board of Directors of The Chubb Corporation on March 1, 1996, the Exchange Rate applicable to tha Notes will be amended in accordance with the terms and conditions of the potes. From April 20, 1996 the Exchange Rate will be adjusted from 11,628 shares of Common Stock per \$1,000 principal amount of Notes to 23.756 shares of Common Stock per \$1,000 principal amount of Notes.

Chubb Capital Corporation By: Morgan Guaranty Trust Company of New York as Fiscal Agent Dated: April 19, 1996



larly among the regional of such opportunities, as well Net telephony anxieties intensify

### By Alan Cane and Tim Jackson

Encouraging the use of the Net for voice telephone calls would help drive down long-distance call charges across the board, a senior US regulator claimed last week Prof Joseph Farrell, chief

economist at the Federal Communications Commission (FCC), the hody which regulates US telecoms and broadcasting, told a London conference that there should be no

. . .

charges long-distance operators pay to connect into local networks, and so reduce the cost of long-distance calls. expressing a personal opinion. But his views will intensify one of the hottest controversies in the telecoms industry.

It would help to drive down the

He made it clear he was Many believe the growth of Net telephony - by which users are able to call anywhere

exempt from the charges they

telephone business.

restrictions on Net telephony. reshape the economics of the voice conversations

Net telephony has improved greatly during the past faw months. Prof Farrell makes the point that the access charges currently being paid are far higher than costs, and that it is inevitable that if the opportuthat Net access providers are nity to bypass local access charges presents itself, people will take it.

"Rather than restricting Internet telephooy," he said, "we should react to it as a driving force for access charge

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have to pay local phone companies for access to networks. They petitioned the FCC to stop companies selling comin the world for the price of a local call - may fundamentally puter hardware and software that allow use of the Net for

Last month. America'a Carriers Telecommunications Association, an organisation of 130 of the largest US long-distance operators, including MCI and

Sprint, complained to the FCC

### **SPORT / ARCHITECTURE**

# To Antarctica on a 50ft surfboard Crazed dream of a

Weight is the chief handicap in the Vendée Globe race, writes Keith Wheatley

Pete Goss has sawn his toothbrush in half. "It still works hut weighs 50 per cent less," he laughs. His entire stock of protective and personal clothing for a 100day solo yacht race around the world, including sunglasses, weighs approximately the same as the average executive suitcase at London's Heathrow airport, its owner off for three days in Frankfurt

20

Having sold virtually everything bar his three children (the family house went last week) to create probably the most innovative racing yacht ever built in Europe. Goss is in no doubt that weight is the enemy. When the 5.5 tonne, 50ft Aqua Quorum is launched next week, the bare hull will float in just 11in of water. It has the length and breadth of an articulated truck.

Goss and his designer Adrian Thomp-son have taken to the limit the dictum of the late Uffa Fox that the only valid place for heavy displacement is in a steamroller.

"The whole theory is to keep it brutally simple. When we consider a particular item, we just ask if it makes the boat go faster. If not, the answer is explains Goss, a quietly spoken clear. former Royal Marine.

He already has one circumnavigation under his belt, as one of 10 skippers in the 1992-93 British Steel Challenge, sailing Hofbrau Lager. However, the Vendée Globe race, starting from Les Sables d'Olonne on the Atlantic coast of France on November 3 and described as the world's premier single-handed nonstop round-the-globe race, is a very different competition.

The boats have only one design restriction - a length of between 50ft and 60ft - and entrants must sail them alone, withont outside assistance, around the world, leaving the great Capes to port. In practice, this means a dasb down through the north then south Atlantics, a trip around Antarctica, and then back to France, Twothirds of the race are in the Southern Ocean, a domain of bitterly cold huge seas and constant shrieking gales beneath endless grey skies.

It was there, three years ago, that the current project took root, Goss's heavy, traditional steel yacht was in danger of being dismasted and had to run downwind ahead of a storm.

"I was working waist-deep in water to try and save the mast when the boat paused at the top of a wave," he recalls. 'It was like looking down the face of a ski-run. Hofbrau weighed 42 tonnes, had no sails up and was still screaming along trailing heavy warps. I promised

dagger-boards, just like those on a dinghy, and a revolutionary swinging keel. A lead hulb weighing 2.5 tonnes is suspended at the end of a steel pendulum. Inside the yacht two massive hydraulic rams can push the keel out towards the windward sida and keep Aqua Quorum upright (and hence sailing faster) far more efficiently than a conventional fixed fin. No one doubts the theory. Yet the only yacht so far built on these lines foundered 1,000 miles south of Tasma-



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surfboard'."

Former Royal Marine: Pete Goss

Isabel Autissier sitting on the sinking hull and praying for a miracle. It arrived in the form of the Australian air force operating at the uttermost limits

of its range. No one doubted Autissier was breathtakingly lucky. Doesn't the precedent frighten Goss just a little? "What happened to Isabel was nothing to do with a keel failure," he insists. "As far as I can gather it worked perfectly. Everything that went wrong was above deck and stemmed from the dismasting."

he Vendée Globe has a ferocious and well deserved reputation as the toughest and most dangerous single-handed event in any sport. One competitor in the last race hit his tongue in half and had to stitch the COULTSe severed portion back with the aid only of a shaving mirror and guidance from

a surgeon on the high-frequency radio from Paris. Welsh skipper Alan Wynn Thomas sailed the Southern Ocean with six broken ribs and a collapsed lung and was



Agua Quorum: the bare hull will float in only 11in of water

told by doctors as he limped into Hobart after abandoning the race that he should not have survived. "I'm not a hero, but I am a profesaional sailor. It's what I've done for nearly 10 years now so I've put enor-

mous effort into creating a boat that will look after my safety and comfort." says Goss, who was responsible for training each of the 130 amateur sailors who raced around the world in the British Steel race - an event that many "professionals" initially scoffed at. "For instance," he says, "the boat will virtaally sail herself without an autopflot; we have carefully designed the living accommodation to reduce the risks of being thrown across the cabin; and I am going on a tailor-made paramedic Many people who know Goss come to

find him an inspirational figure. He is emphatic yet self-effacing, determined to convince others that they can do extraordinary things. The boat builders currently racing the clock to finish Aqua Quorum were convinced at the

outset that there was neither the time nor money to finish the yacht. Their skipper proved them wrong. Strangers have written offering to lick stamps or knock on doors in search of sponsor-

At the blackest hour, £50,000 came from the Foundation for Sport and the Arts to enable the hull to be finished. Out of the blne, comedy actress Joanna Lumley, a "friend of a friend of a friend", wrote offering to christen the yacht, thus guaranteeing media cover-

In the store next to the building shed in the store hext to the subling sheet sit 2,500kg of lead for the keel, all donated by local people after a radio appeal: fishing weights, organ weights from a nearby church, old bathroom fittings. It has saved the project thou-sands of pounds. "This whole thing survives on the goodwill of people who are prepared to offer something of themselves," says Goss. "That is the magic of it for me. It is no ego trip. Strange as it may seem, single-handed salling is a team sport."

# phoenix from ashes of a razed library

The second state of the second state

The proposed Technopolis would disfigure the heart of Norwich, writes Colin Amery

ave the city of Norwich and the county of Norfolk gone completely mad? The scent of the Millennitten Commission'e lottery loot appears to have undermined the sanity of the local authorities of East Ang-

An amazing document is circulating in the villages and the flat rural fastness of Norfolk - one that presumes to convince people that their county is about to become the throbbing heart of the infor-mation technological revolution, UK branch. On the front of the glossy brochure is a colour photograph of rays of light breaking through some East Anglian clouds. "It's a Virtual Reality," it screams, "Technopolis - the future is in your hands."

What is Technopolis? And exactly where is this City of Oz which no one has visited and in which reality is only virtual? It is planned to be in the centre of the city of Nor-wich, and will rise from the sches of the old city library that burned to the ground on August 1 1994. Here is a classic case of megalomania and hyperbole generated by the prospect of lottery monsy. The description put out by

the county speaks for itself. Between photographs of the Norwich skyline as seen from the cockpit of a Jumbo jet and of naked babies accessing computers are the words: "It is difficult to put the wonders of the Past and Future City into words. It will be much more than a museum, it will be a place to experience the Dast

There is more. "In today's business world, keeping up with all of the innovations in information technology takes time and money ... How many times have you invested in something only to discover that an updated refinement

which you need to have has appeared?" Digital City inside Technopolis, evidently, is going to give us all the answers.

Nor does Norwich's future come cheep. Technopolis will cost at least \$79m. The county has earmarked £8m towards it and, if its application to the Millennium Commission is euccessful, some £39m may come from that source.

It is one of the most curious and mildly crazy bids around and is the brainchild of Brian Smith - the city planner for Norwich - end his county counterpart. They drummed up a bit of local support hut were asked by the commis-sioners of the Millennium Fund to demonstrate the support of the county's popula-

That has not been achieved, despite the axpenditure of some £800,000 in an elaborate promotion drive by the city and the county. No one could have called the promotion a consultation exercise. Free roundabout rides were offered to children as their mothers struggled to sign forms handed out to encourage support. And the forms have no space for objections to the scheme. Only one possibility was indicated on the polling

Paper. Four firms were short listed to design Technopolis in the architectural competition. The minimalist firm Pawson Williams competed against Sir Michael Hopkins, Building Design Partnership and the GMW Partnership. It was recently announced that the winner was Sir Michael Hopkins,

His scheme is still very much an outline, hut it is interesting that he has siready expressed reservations about the inclusion of a 400-space multi-etoray car park, which will encourage virtually out of sight.

cars to enter a city which simply cannot cope with them. Only 30 per cent of the five-acre site is for Technopolis. The other 70 per cent is for entertainment, commercial and car parking uses. It is a marvellous site at the

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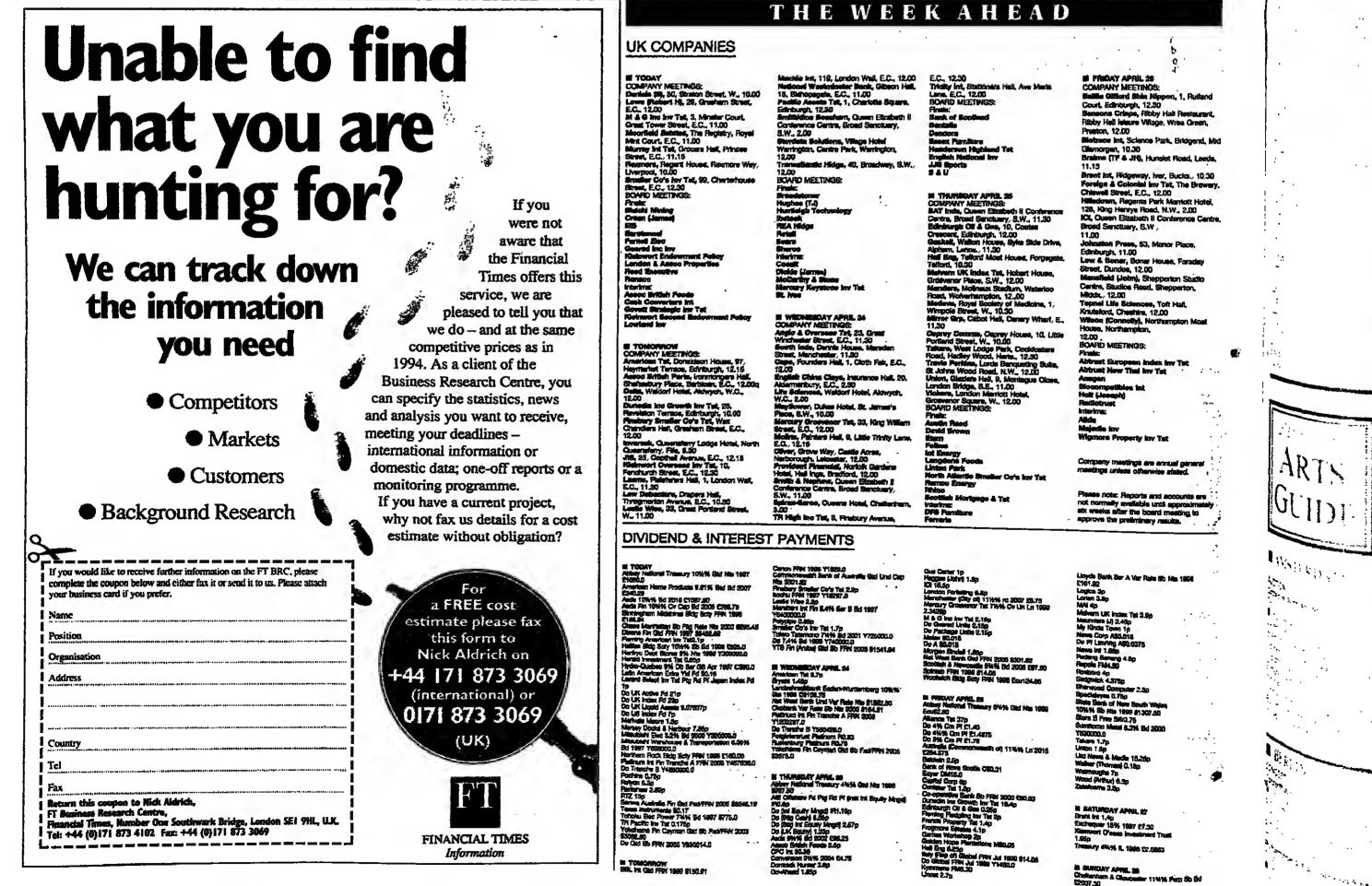
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centre of the city with magnif-Icent views of the great civic church of St Peter Mancroft, the Guildhall and the Market Place. But this scheme overbuilds on the site and by attracting yet more tourists will play a part in the destruction of the city's heart.

The chief folly of this proj-ect is its naive belief that information technology needs a mega-centre in tha heart of Norwich. We have all noticed that everything in the over-rated world of personal com-puting and information technology is getting smaller and smaller. The real future has in miniaturisation for the individual. The future lies not in Technopolis but in homebased end pocket facilities. There is no need for this giant

computer in Norwich's centre. There is a wonderful inven-tion that fits into your pocket, and which can be looked at anywhere, even when you are travelling. It needs no electricity, no batteries and no moving parts. It is called a book. If you acquire a lot of books you need a beautiful fireproof library and a few simple links to other libraries to give yon all the informa-

tion you need. Norwich and Norfolk could lead the way hy dropping their megalomaniac scheme, which is simply a Pavlovian response to the possibilities held out hy the Millennium Fund, and concentrate instead on the careful renewal of that fine city and the safeguarding of the quiet beauties of the county. Technopolis is so far removed from reality as to be



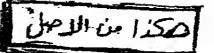
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SADEN-BADEN he South West Orchestra was ounded shmedia for the Second ford War with a Deche comminen o new music; As per t its 50th enniversary Delebrations ane concert in Baden-Batten on Wednesday and makes as first visit to London on Settinger, Jolowed by German tola. The programme includes Brahms's Violin

the conductor is



Two of Britain's best-known playwrights are currently involved to directing American plays here

Currently involved at carectory American pays nere Harold Pinter's staging of Reginald Rose's famous jury pay "Twolve Angry Metri comes to the Contedy Theere tonight. The cast includes Timothy West and Kavin Whitely jabove]. Meanwhile, David Hare stages Wallace Shawit's "The Designated Mourner" at the Coltesioe Theere, opening on Concerto, played by Christian Tetzleff, and Vechesday, with a cast including David de Køyser, Miranda Richerdson bove right) and the American director Miles Nichola,

STRATFORD-UPOH-AVON The Royal Shakespeare Company launches its new Stratford as this weak. Steven Pimiott directs "As You Like it" with a cast led by Namh Cusack, Anthur Cox, Joseph Fiennes, and Victoria Hamilton, opening on Thursday Gale Edwards directs "The White Devil", with a cest led by Jane Gumett, Caroline Blakiston, and Philip Quest, opening on Friday.

### WASHINGTON

The 17th century Dutch artist Jan teen is best known for his bolsterous low-life genre scenes but he also painted sensitive portretts, refined images of upperclass life and religious scenes. An schibition opening at the National Gallery of Art on Sunday will exemin the wide range of subject and style in teen's work

NEW YORK Picasao'a work contains a large number of pictures inspired by particular people, but until now there has never been an exhibition devoted to his podraits. The Museum of Modem Art's "Picasso and Portraiture" opens on Sunday a smaller version will be shown in Paris in the autumn

BASLE Paul Secher, the Swiss musician and patron of the arts, celebrates his 90th birthday on Sunday, and his

native city is marking the occasion in style. At the Stadicasino on Saturday, Pierre Boulez will conduct the Ensemble InterContemporain in new works by Birtwistle, Berio, Boulez and Etiott Carter. This and other musical tributes are linked to an exhibition at the Kunstmuseum entitled "Classicist Modernis reaturing paintings by Picaaso, Matisse, Dali, Mondrian, Klee and rmany others. It opens on Saturday and runa till mid-August,

# Low budget films with a sense of adventure

Nigel Andrews talks to three directors called Todd about the prerogatives and preoccupations of independent American cinema

t happens - metaphorically at least - every year at every film festival. A well-known "unofficial" shipload of celluloid docks next to the official one, causing a sudden scramble of diverted interest. "The American independents have arrived!" shout critics on the quayside. And soon they are marking their diaries for all the vibrant low-budget films from Poughkeepsie or Peoria, from

NYU or UCLA. Two great truths govern American independent cinema. One: no other country comes near it in range, daring and talent. (Many names now deemed household began in the "U.S. Indies" section at Cannes, Berlin or elsewhere, from Lynch to the Coen brothers.) Two: every young director today seems, by kismet or coincidence, to be

called Todd. With Todd Haynes's Safe opening this week - the newest film from the director of the baroquely unnerving Poison, arguably the best independent film of the early 1990s what better time to buttonbole him, along with two other freshly acclaimed Todds met at the recent

Berlin Film Festival Todd Solondz made Welcome To Sundance Festival Grand Jury Prize

of smog, health salads and jogging? "The film doesn't tell you what to think or how to interpret," Haynes says. "In many ways it follows the TV movie disease-of-the-week format. But unlike a mass-andience film it undermines the idea of the heroine's supposed victory at the and by trying to raise larger questions about society and our need to have answers to every malaise."

But neither that deeper meaning, says Haynes, nor the film's glacially elegant style are intended to deter an emotional response. "The look is inspired partly by Kubrick's 2001, where nature and human mess have long vanished from the planet, something you often feel in Los Angeles! But that isn't meant to distance the audience. The very act of Identification the spectator goes through, sitting in a cinema where stories are coming to life, is part of

what made me want to make films rather than paint or write or operate in arguably more 'elitist' media.

> odd Solondz's Welcome To The Dollhouse also aims to pull tha andience in emotionally, while refusing to bribe it

The Dollhouse, which took the with facile answers or denouements. The gawky, thick-spectacled herome is shunned by every schoolmate save the class bully, who homes in on her with braggardly threats of 'rape'. But nothing goes to Hollywood plan. The bully turns out to be a disoriented loner just like her. And the girl never does take off those specs Hollywoodstyle. The girl's not a victim, that wouldn't interest me," says Solondz. "The idea of the film is that the persecutor and persecuted reside inside each of us. The bully's just as much an outcast as she. So there's a bond, and there's something quite beautiful in their first kiss which was actually the actress's first kiss. "All of us adults are guilty of devaluing kids and that's reflected in Hollywood movies. There's a complexity and richness in their lives that we're often lazy about recognising. Todd Verow's Frisk is even bolder in defying routine expectation. The film's episodes of sex and premeditated violence, drawn from a Dennis Cooper novel, are presented without nity? any "judgment" at all, let alone

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Dale, Maria Bayo, Monte Pederson

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explicit condemnation.

"The book ends with the narrator saying, 'Oh I made all this up. it's not true'. I changed that, I wanted the ending to be more ambiguous. I wanted people to relate to it as a possible reality, not a fantasy, that's a Hollywood escape route. There's a dark side to all of us. We all drive by car crashes and want to look. A lot of people who are in denial of that don't like the film."

B for BUDGET. The mathematics are awesome. One Waterworld would buy two hundred Safes and two thousand Frisks. Even at this budget level, independent films can be difficult to finance.

Haynes: "Safe cost just under a million dollars, some of that from Britam's Channel Four. Because of the difficult subject, it was hard to finance and very hard to achieve the look' we wanted on the money. My next project Glitter Rock, based on the British music scene of the 1970s, has been much easier. The subject - David Bowie and Gary Glitter: dressing up and 'constructing' images - relaxes investors." So, surprisingly, did Haynes' Genet-de rived Poison, whose gay main story appealed to the National Endowment for the Arts at a time of gathering Aids consciousness.

Solondz: "My career started with



Multi-allergic horrors of 20th-century illness: Julianne Moore in Todd Hayne's 'Safe

# Concert Muti in buoyant form

The Philharmonia Orchestra, which currently lacks music director and principal conductor, is fielding some 15 conductors this season. This is very different from the days when a single maestro ruled his orchestra with a baton nf

However, a glimpse of these times could be caught when Riccardo Muti returned to the Festival Hall on Thursday to conduct his old orchestra in a programme of Haydn and Cherabini.

By modern standards Mntl's 11 years as the Philharmonia'e principal conductor and music director seem positively protracted. His predecessor Otto Klemperer held sway for 14 years, his successor Giuseppe Sinopoli lasted ten. Each made their own distinctive, if sometimes erratic, mark on the orchestra, an achievement hardly possible in our age of ooe-off engagements.

Even so, Mott and the Philharmonia are still a formidable team, and fears that his association with the Philadelphia Orchestra may have inured him to subtlety of effect or that his work at La Scala may have weakened his grip on musical structure proved unfounded.

Muti has little time for authenticity, it would seem. In Haydn's Symphony No.48 ("Maria Theresa") he sported a fallish orchestra and favoured a warm string tone which was sometimes allowed to obscure the woodwind and brass. But in its own way it was a faultless reading, robust yet bnoyant and unafraid of wide dynamic contrasts. He conducts



for its wondrously off-kilter tale of a plain schoolgirl's coming of age. (It opens in Britain later this year.) And Todd Verow made Frisk, which caused much gasping in the aisles at Berlin with its graphic portrait of a group of gay sex-killers.

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In their different ways, these directors cast a fascinating light on five important aspects that pinpoint the special prerogatives or preoccupations of independent cinema.

A for AMBIGUITY, Away from the mainstream, complexity can thrive and messages need not be spelled out for the hard-of-thinking. Haynes's Safe is the low-key but sumptuously shot tale of a Beverly Hills housewifa (Julianne Moore succumbing to the multi-allergic horrors of "20th century illness." Mild coughing fits progress to faint-ings, oxygen cylinders and a visit to a macabre psychological health clinic.

But is the movie really - or only - about illness? Or is it also about the heroine's larger ennui as she navigates a moribund marriage, a clucking circle of friends and a city

one of those 'only in Hollywood stories. A couple of studios, Fox and Columbia, saw my student films and gave me a three-picture deal each. But I had a bad experience" refusing to specify - "and walked out on them. Then later some lawyer friends who wanted to invest in film persuaded me to dig out an old script. That became Dollhouse.

"The budget was under a million and that caused all the compromises. At this level you shoot for the stars but are lucky if you get five per cent. Of the 15 locations you plan, yon can have three. I wanted the girl singing at Disney-land in the last scene - it was my downbeat ending! - hut we couldn't afford it so we put her on a hus going to Disneyland."

Verow: "The budget was under \$100,000. We got a free camera package, half-price film and no one on the production got paid." C for COMRADESHIP, Do Amer-

lca's independent directors constitute a 'movement' or movie commu-Solondz: "Twe read about this

society of independent film-makers, but I've never been invited to it or its parties. It's not like. Ah we all hang out at this cafe! The main time you meet other directors is here at festivals. But I wouldn't even have done that if my film

hadn't been successful." Verow: "If you work in the same subculture there's somatimes a sense of community. Several of the people involved in Frisk came from other gay movies. But at the same time I wanted to broaden the film

by bringing in women characters; I didn't want it dismissed as the story of a self-enclosed clique." Haynes: "The last thing we want is a movement. It's one of the ideas behind Safe, that we all have this need to feel that people accept us and we belong to some larger creed or culture. Illness reveals to my main character how cut off she is in L.A., but when she gets a new identity and home - the clinic - the terms don't really differ from those she left behind. That chaotic painful isolation we feel as people, or art-

valoe but society doesn't know how to deal with it." D for DESTINATIONS. Axiom: every American film-maker wants

to end up in Hollywood. Solondz: "If anyone has a degree of success, it's only natural they will knock on your door. I've had offers, but I don't know what I'll do. I think I still have those two threepicture deals with Fox and Colum-

Haynes: "First yon get agents calling. It started when Poison won the Grand Prize at Sundance. But I never felt an agent was what I needed. I actually have a lawyer who 'agents' for me and other independents like Richard Linklater (of Before Sumrise). But you can also be be approached by a star. After Safe Jennifer Jason Leigh wanted me to do a \$6m movie with her and I liked the script. But it fell through when reviews for her new film (Georgia) complained she was always playing the same role!

"The line is getting blurred anyway between mainstream and indeists, is something that can have a pendent. With government cutbacks

there's much less grant-funding Haydn not in clipped, uniform now, so most film-makers have to phrases but as a seamless line in go to commercial investors." Verow: "Am I going to Hollywood? No, I'm going to Bangor, Maine. My next film is based on a

which every gesture is given its own distinctive character and impelled towards the next. For once the repeats were to be real incident in which a gay guy anticipated and savoured. Muti's pulling power means that was killed by five teenagers. He was beaten up and thrown off a bridge. he can afford to take risks with The film is about what it's like to repertoire. Cherubini's Missa grow up in a town like that." As Solemnis, an ambitious work which Verow did. He was at school with exceeds Beethoven's in length but those five teenagers. Z for 'ZZZZZ'. Impossible in a not in vision, is hardly a crowd puller. Cherubini's late church good independent movie: the prommusic is everything you might ise or threat of innovation is a conexpect from a director of the Paris stant wake-up stimulus. For Todd Conservatoire; solid, learned, and Haynes one duty of the independent effective. That Muti has long been film-maker is to carry that sense of an advocate of this music was adventure and new ideas into mainevident from the fervent tonc he drew from a well prepared and stream cinema. "I never saw myself as just an experimental director. My robust sounding Philharmonia ambition was always to enter the dominant heart of film-making, Chorus and the white hot intensity of the overall result. But it remains which is narrative films, and once a humdrum work and it was a pity there to question and re-inflect and that he had not chosen to expend

his energies on something a little

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works by Schubert and Saint-Saens; 8pm; Apr 27 OPERA INTERNATIONAL Deutsche Oper Berlin Tel: 49-30-3438401 ARTS by Jiri Kout (Apr 23, May 3) and Johan Ameli (Apr 29) and performed by the Deutsche Oper Berlin. Soloists include Gyöngyi Lukacs, Marcia Bellamy, George Fortune and JUIDE Reinhard Hagen; 7.30pm; Apr 23, 29; May 3

### AMSTERDAM

### AUCTION

Sothebys Amsterdam Tel: 31-20-5502200 Indonesian Pictures. Watercolours, Drawings and Works of Art, this specialised sale of Indonesian paintings, watercolours and drawings also features several European painters who worked on the Island of Ball, Including Adrien Jean le Mayeur de Merprès, Rudolf Bonnet, Theo Meier and Isaac Israels; 10.30am; Apr 24

### BERLIN

### CONCERT

CONCERT Konzerthaus Tel: 49-30-203090 Deutsches Symphonie-Orchester Nátsiúnta Tel: 353-1-6711888 Berlin: with conductor Heinz Holliger and violinist Thomas Zehetmair Evening: with The Orchestra of St perform works by R. Schumann and Cecilia, conducted by Aidan Holliger, 8pm; Apr 23, 24 Faughey, soprano Kathryn Smith Philharmonie & Kammermusüksaal and tanor Arthur Davies. The Tel: 49-30-2614383 programme includes the overture to St. Petersburg Soloists: with Der Zigeunerbaron, the overture to conductor Stefan Bevier and La Vie Parisienne and songs and narrator Friedhelm Ptok perform

duets from Die Lustige Witwe, La Belle Hélène, Die Fledermaus and Der Zigeunerbaron; 8pm; Apr 27 HAMBURG I Trovatore: by Verdi. Conducted

CONCERT Hamburgische Staatsoper Tel: 49-40-351721 Arno Raunig: the counter-tenor performs works by Handel, Paisiello, Monteverdi, Porpora, Gluck and Mozart; 8pm; Apr 23

### HOUSTON

EXHIBITION Contemporary Arts Museum Tel: 1-713-526-0773 Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape. For this presentation Long has created four works composed of regional materials. such as Santa Fe brick and Texas limestone. In addition to these works, the display includes photographs and text documenting the artist's walks through west Texas; from Apr 27 to Jun 30

### LONDON

CONCERT St. Martin-in-the-Fields Church Tel: 44-171-9300089 The Feinstein Ensemble: with conductor Martin Feinstein perform Mozart's Eine kleine Nachtmusik and Concerto for Flute and Harp, and J.S. Bach's Double Concerto for Ohoe and Violin, and Air on a G string: 7.30pm; Apr 27

Design Museum Tel: 44-171-3786055 100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Elleen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; from Apr 24 to Oct 8 OPERA London Coliseum Tel: 44-171-8360111 Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Peter Sidhom and Philip Sheffield: 7.30pm; Apr 24, 27 (6.30pm); May 1

EXHIBITION

### LOS ANGELES

OPERA Wittern Theate Tel: 1-213-388-1400 Orfeo ed Euridice: by Gluck. Performed by the Mark Morris Dance Company and the Handel & Haydn Society chorus and orchestra, conducted by Christopher Hogwood; 8pm; Apr 26, 27, 28 (2pm) EXHIBITION The J. Paul Getty Museum Tel: 1-310-459-7611 Tan Centuries of French

Illumination: an exhibition of 20 manuscripts and singla illuminated pages, presenting a survey of French painting in books, from the 9th to the 18th century. It includes

richly illuminated books of many

kinds, including scripture, liturgical and devotional books and bestiaries, as well as a series of elaborate emblems of the nobility. Jean Fouquet and Simon Marmion are among the 15th-century illuminators represented; from Apr 23 to Jul 7

### 

FXHIBITION Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062 David Smith: retrospective exhibition devoted to the work of thie American sculptor. The display includes some 40 sculptures created between 1933 and 1965; from Apr 23 to Jul 1

### NEW YORK

AUCTION Sothebys Tel: 1-212-606-7000 Property from the Estate of Jacqueline Kennedy Onassis: auction of some 1,200 lots of fine and decorative art, furniture, jewellery, antiquities and books which have come predominantly from Mrs Onassis' New York apartment; 10am & 2pm; Apr 23 (7.30pm), 24 (also 6pm), 25 (also 6pm), 26 (7.30pm) CONCERT Avery Fisher Hall Tel: 1-212-875-5030 Krystian Zimerman: the planist performs works by Haydn, Beethoven and Schubert; 8pm; Apr

### PARIS

OPERA Théâtre du Châtelet Tel: 33-1 42 33 00 00

Fidelio: by Beethoven. Conducted by Daniel Barenboim and performed by the Deutsche Staatsoper Berlin and the Staatskapelle Berlin, Soloists include Catherine Malfitano, Johan Botha, Falk Struckmann and René Pape: 7.30pm; Apr 24, 27

surprise. Movies have a unique

power to affect people. It should be

used to awaken new ideas not just

reinforce old ones."

SYDNEY

CONCERT Concert Hall Tel: 61-2-250-7111 The Australian Brandenburg Orchestra Ensemble: with conductor Paul Dyer and soprano Emma Kirkby perform works by J.S. Bach and Handel; 8.15pm; Apr 23

### VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211 BBC Symphony Orchestra: with conductor Andrew Davis and cellist Heinrich Schiff perform works by Berlioz, Dvorák and Tippett; 7.30pm; Apr 25

 Wianer Symphoniker: with pianists/conductors Tzimon Barto and Christoph Eschenbach perform Brahms' Piano Concerto No.1 in D minor, Op.15 and Piano Concerto No.2 in B flat major, Op.83; 7.30pm; Apr 23, 24 Musikverein Tel: 43-1-5058681 London Mozart Players: with conductor Matthias Barnert and violinist Elissa Lee Kokkonen

perform works by Stamitz, Mozart

and Schubert; 7.30pm; Apr 23

NBC/Super Channel: 07.00 FT Business Momina 10.00 European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets 17.30 Financial Times Business Tonight

European Money Wheel

18.00 Financial Times Business

CNBC: 09.00 Squewk Box 10.00

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### **COMMENT & ANALYSIS**



22

Michael Prowse · America Wolfensohn's task

The World Bank's new president is getting good publicity but cannot stem the institution's declining global significance

When the World Bank celebrated its 50th anniversary in 1994, it was attacked from all sides. Aid agencies such as Oxfam and Christian Aid complained that its allegedly barsh adjustment programmes were aggravating, rather than alleviating, social and environmental problems, especially in Africa. Conservative critics, meanwhile. argued that the rapid growth of private capital flows to developing countries had made the bank redundant. Since taking over as president last year, Mr Jim Wolfensohn has tried to defuse what had become an intolerable din of criticism. He seems to be succeeding – at least with his natural allies in the global aid community. He pushed hard (and early) for generous multilateral debt relief for the poorest African countries: aid lob-byists are likely to blame the leaders of industrial countries,

the final scheme falls short of expectations. And he has shown greater willingness than his predecessors to consult the leaders of non-governmental organisations and other aid groups. He is. for example, seeking their advice on ways to enhance the social component of structural adjnstment programmes. "He's acting like the rest of the world exists - that's the big difference," says Ms Nancy Alexander, an admirer at Bread for the World, a US

rather than Mr Wolfensohn, if

voluntary group. Mr Wolfensohn's other main priority has been to reform the bank internally. He wants to create a "results culture" in which staff are judged not by the number or size of loans they generate but by the success or failure of projects on the ground. He has also promised to "break the armlock of bureaucracy on the institution" and encourage risktaking and innovation. So far, however, progress appears to be disappointing.

At an extraordinary internal meeting with senior managers last month, he complained of widespread "cynicism and dis-

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trust". He referred angrily to a Perhaps because it has been "glass wall" between him and led by European civil servants rather than US bankers, the the staff that was preventing international Monetary Fund him generating enthuslasm, bas not suffered upheavals change and commitment to reform. At times he seemed to comparable to those at the despair of changing the bank's bank. Mr Michel Camdessus, the managing director, does culture: "I just don't know not make nonsensical comwhat else to do... 1 just beg you to think about it," be said. plaints about cynicism, glass walls or lack of risk-taking. Reading the transcript, I He simply uses the existing had a sneaking sympathy for hierarchy efficiently to implethe bank's senior staff. Every ment his goals, and those of few years it is their misfortune to have a new president member governments. He understands that a public fresh from the private sector. bureaucracy works essentially The new chief invariably on the principle of "command decides the bank is appall ingly badly managed and and control". demands instant reforms.

The problem in part is simply a misunderstanding of the way bureancracies must function. The bank is owned by the world's governments. Its staff are civil servants, answerable to their political masters. They do not, and cannot, have a simple bottom line, comparable to that of "maximising profits". They cannot be turned into

entrepreneurs. Their goal is the fuzzy one of promoting third world development in ways acceptable to member governments. In an organisation not guided by the profit motive, a hierarchical chain of world. Its lending, staff and command and a detailed system of rules and regulatious is more or less unavoidable. A bureaucracy without red tape is literally inconceivable.

The reason for loss of morale at the bank is the fundamental change in the global financial climate - which affects it far more severely than the IMF. in the early post-war decades, it played a crucial role as an intermedi ary because private capital flows to developing countries were shackled by exchange controls and other artificial Thanks to its status as a public institution, it could borrow at fine terms from lenders in industrial countries and recycle the funds to grateful governments in the third

portfolio of projects grew rapidly, giving everyone a sense of purpose and achievement. That sense of importance

global calamity which destroys private capital mobil ity. Private flows have quadrupled since 1990 while official development assistance has stagnated. The single larg est source of finance for devel oping countries is now foreign direct investment hy those once-reviled multinational companies. The bank's modest concessional loans to the poor est countries of about \$5bn a year are insignificant when set against total flows to developing nations of \$230bn a year. Its net disbursements at normal interest rates have dwindled almost to nothing reflecting the maturity of its

never return - short of a

loan portfolio. If Mr Wolfenschn is to restore a sense of purpose, he must confront this change in the bank's circumstances. It perhaps still has a role as a lender to the poorest of the poor, although thay too would gain access to private flows if they instigated suitable economic and political reforms. Bnt such a narrowed remit would not require anything like the present staff of 10,000. Some say the bank still has a future as a provider of consolting services rather than loans. But it is not clear why advice cannot be provided by private sector groups. Mr Wolfensohn's plan to create an "internal market" in which country managers handle rela-tions with client governments and purchase services from technical staff such as economists and agriculturalists within the bank does not go far enough. Why pretend all this must be done in house? The way to achieve the entrepreneurial changes be claims to want is by sweeping privatisation of bank functions. Many staff would probably be more productive - and happier - if they formed their own private consultancies and competed for the custom of third world governments. But

this is not a solution for bank lassitude that either Mr Wolfensohn, or his friends in the aid community, would ever willingly embrace.

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e mail letters editor eficom Translation may be available for letters written in the main international languages.

LETTERS TO THE EDITOR.

## Strengthening morale and confidence in setting up WTO research unit

From Prof Jagdish Bhagwati Sir. You are to be applauded for your timely editorial ("A map for trade", April 10) on the important role of independent research capability in the World Trade Organisation denied hitherto by the

membership of the WTO. Yon are wise in rejecting recent proposal to remedy the situation by establishing an eminent persons' group as created (and now terminated) by member governments of Asia Pacific Economic Co-operation Forum which had no secretariat and director-general in the way

that international institution such as the WTO have. Instead of strengthening the WTO, such a group would emasculate it. By contrast, you properly prefer an alternative proposal to create an "independent research unit", funded by "a few governments, supported hy an advisory group of

From Mr Rupert Darwall. Sir, John Kay's claim that "it

is impossible to have

competition in the water

industry" ("An idea full of

leaks", April 12) misses an

entire dimension in which

competition can be introduced.

Even if it is difficult to have competition within a market, it

is usually possible to introduce

For a start, the ownership of

competition for the market.

Britain's water and sewerage

provision of new investment.

for the right to provide all

sector - which itself is a

monopoly provider - can be

testing, the Private Finance

Initiative and the rail

regulator's auction of rail

extended to monopoly utilities.

Competitive tendering, market

these activities.

Competition can be introduced

The reforms of the public

pipelines can be separated

from maintenance, from

customer billing and the

Water is no exception.

economists of international standing", and reporting "to the WTO director-general". A slight amendment of your recommendation, however, is necessary to improve its effectiveness in enhancing the WTO research capability.

The original proposal that you endorse rested on two legs. First, the director-general would raise a special research facility endowment from a few member countries friendly to multilateralism and not handicapped by domestic politics. The annual interest income from this endowment would be used to recruit 20-25 first-rate economists to more than double the existing minuscule and seriously

overstretched research staff. The creation of a separate unit and side of the WTO, no matter that it reports to the director-general, would instead tend inevitably to demoralise the within-WTO research staff.

More effective curbs on monopoly profits

competition can be extended.

enable regulation to be more

effective at curbing monopoly

threat to the owners of water

pipelines, there is no need for

them to receive returns much

higher than the long-term real

interest rate of around 2 to 3

companies to earn returns of 6

Requiring that all new

investment is put to a

that investors need.

competitive tender would

introduce real competition to

Since 1991, water company

establish the lowest return

shareholders have earned

returns nearly 50 per cent

better than the stockmarket.

Common sense suggests that

this reflects exploitation of a

monopoly. Failure to introduce

per cent. At present, the regulator permits water

to 7 per cent

Since there is no competitive

Separation of ownership from

the provision of services would

franchises all show how

profits

Second, just as the former director-general, Mr Arthur Dunkel, had appointed an economic policy adviser, Mr Renato Ruggiero would personally (entirely at his discretion rather than by governmental direction) choose, at this critical juncture of WTO's evolution, an advisory committee of eminent scholars to consult with periodically to seek expert advice on his sgenda for the world trading system. In turn. the association of world-class economists with the WTO, and access to them by the augmented secretariat research staff, would strengthen the morale and confidence of in-house staff.

Jagdish Bhagwati, Arthur Lehman professor of Columbia University, 420 West 118th St. New York NY10027, US

competition, as advocated by John Kay, represents a bleak prospect for water customers. Is that what is really meant hy a stakeholder society?

Rupert Darwall, former special adviser at the Treasury, London N5 2UX, UK

From Chris B. Shirley, Sir, John Kay's arguments can he faulted, but why bother? No large industrial water user would buy water of a quality different from that for which he has designed his water treatment plant. Kielder Water, for instance, would play havoc with a multi-million pound water treatment plant designed to treat a southern borebole water.

Chris B. Shirley, Dewplan Group, Beechwood Hall, High Wycombe, Backs, HP11 1LA, UK

### Minimum wage not factor in iob cuts

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FINANCI

nuclear

From Mr Ian McCariney MP. Sir, Your article, "Coats Vivella to lose 2,700 jobs in E50m shake-up" (April 15), speculates on the reasons for the company's restructuring. and states: "The prospect of a Labour government introducing a minimum wage above £4 an hour is also an influence."

This is inaccurate. As you know, the next Labour government will introduce a national minimum wage at n level established by a low pay commission, ou which employers, unions and independent representatives will sit.

Furthermore, the company secretary of Conts Vivella, Mr Sam Dow, has categorically informed me that our proposed minimum wage was not a factor in their decision. These job losses are the product of a restructuring within the textile industry.

Nothing more should be read into the company's decision and it is important that the Financial Times does not allow itself to be used by the Tory lie machine, which continues to support a policy of low pay or no pay.

The textile and clothing industries have been hit hard by both long-term job losses and successive recessions. Between 1989 and 1995, one in seven jobs were lost.

The sector went into recession ahead of the rest of industry and, last year, output was still 18 per cent below its pre-recession peak. The textile and clothing industries have nothing to thank the Conservative government for and would benefit greatly from the measures to support industry that are currently being proposed by Labour.

Ian McCartney, shadow employment minister, House of Commons London SW1A OAA, UK



Wolfensohn: has tried to defuse criticism since taking over

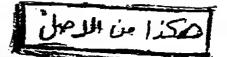


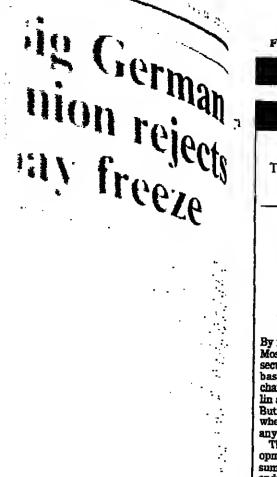


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FINANCIAL TIMES MONDAY APRIL 22 1996

FINANCIAL TIMES

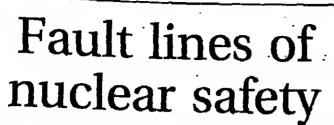
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Monday April 22 1996

### **COMMENT & ANALYSIS**

# The price of nationalism

James Buxton explains why many Scottish businesses fear devolution could mean more taxation as well as more representation



By inviting seven world leaders to Moscow for a meeting on nuclear security, President Boris Yeltsin bas probably boosted his own chances of remaining in the Kremlin after the forthcoming elections. But it is much too early to say whether the world has been made any safer for anybody else.

The most positive single development at the nuclear security summit was Russia's unequivocal endorsement of a comprehensive test ban treaty. While China and India could still queer the pitch, and Moscow may yet insist on hard preconditions for the treaty's entry into forcs, the Russian announcement is a welcome boost to the chances of concluding a

treaty by the autumn. In other respects, the G7 summit was short on substance and long on worthy sentiments. At best, it refocused public attention on two of the threats which hang over us all: the risk of another nuclear accident like the Chernobyl catas-trophe, and the lesser-known danger posed by the fissile material piling up at over 900 ill-policed sites in the former Soviet Union. On Chernobyl itself, Mr Yeltzin and his guests won a fresh assurance from Ukraine's President Leonid Kuchma that he would shut the installation altogether by the year 2000. But it remains to be seen whether Kiev will be satisfied with the \$3bn which the G7 has offered as compensation.

### Soviet technology

The chances of any other Chernohyl-type RBMK reactors being closed or even significantly improved look dimmer. The confidence of G7 governments in their ability to force the closure of all such reactors has receded sharply since the group endorsed that goal in 1993. Russia and some other ex-communist countries, including Slovakia, have become sceptical of western lectures on the defects of Soviet technology. They allege that western commercial interests are taking precedence over objec-tive considerations of safety.

The west can party that objection hy helping such nations rationalise their energy markets and use power more efficiently -

their own narrowly defined inter-ests, even as they warn of dangers facing all mankind, is one that pervades all nuclear security debates, including the question of how to deal with fissile substances in the ex-Soviet Union.

Paradoxically, arms control has made this problem worse. As up to 3,000 Russian nuclear weapons are dismantled every year, some 15 tons of plutonium and 45 tons of bomb-grade uranium are being transferred from the relatively safe hands of Moscow's Defence Ministry, to tha Ministry of Atomic Energy, a secretive and xenopholic agency which will face increasing difficulty in guarding its holdings.

### Hidden agenda

The nuclear ministry tends to view all Western offers to gnard or buy up its stocks as motivated either by commerce - the desire for cheap reactor fuel - or a hiddan strategic agenda, aimed at neutralising what remains of Rus-sia's deterrent force. Moscow's scepticism is exacer-

bated by the fact that deep fault lines do exist in the G7: for exam-ple, the US is buying up Russia's weapons-grade uranium, while trying to prevent its European allies from doing so. The lack of consensns within the western world has emboldened Russia to play one country off against another, and withhold any form of co-operation in nuclear waste

management that could compromise its own independence. Despite all these problems, there are some hopeful signs. After tor-

thons negotiations, Moscow's atomic energy ministry has accepted US help with improved control and accountancy at some its unclear installations, and with the construction of a store hig enough to contain 40 per cent of Russia's plutonium. The Western nations have little

choice hut to press ahead with the search for a basis on which they and Russia can manage together the legacy of the cold war. Russia is entitled to insist on taking the main responsibility for its own nuclear stocks. But this does not preclude rational co-operation nor exonerate Russia from its

r George Robert-son, who is likely to become secre tary of state for Scotland if Labour wins the next UK general election. says he balieves passion the the the Scottish parliament which the party is proposing to set up in Edin-burgh will "stimulate and revitalise busines

But so far he has had a difficult time persuading senior members of tha Scottish business community that a Scottish parliament would be to their advantage. Some see it as a potential source of political instabil-ity and higher taxes. The issue is to be debated today

at a conference in Edinburgh enti-tled "Devolution - Good for Business?". The majority of speakers from the business community are likely to express misgivings.

Under Labour's plan the Scottish parliament would take control from Westminster of matters now administered by the Scottish Office - such as education, health, local govern-ment and agriculture. Westminster would be left with macro-economic policy, social security, defence and foreign policy. The parliament would have 129

rs, more than half elected memb under the first past the post system, but topped up with members elected from party lists to give a measure of proportional representa-tion. It would be funded, as the Scottish Office is now, through a block grant from the Treasury, but it would also have the power to "vary" the basic rate of income tax

in Scotland by 3p in the pound. As Labour and the Liberal Demo crats see it, a Scottish parliament would bring the running of Scot-land closer to the people. The Scottish Office is now in the hands of the ruling Conservative party which commands only 12 per cent support in Scottish opinion polls.

"No company would be run in this way," Mr Robertson told a business audience recently. "If decen-tralisation and devolution to local units is the way get a business effi-cient, why should it not be the same in running the country?"

Decentralisation has some appeal in the Scottish husiness community. Last year a survey by the Scottish chambers of commerce found most respondents favourable or at least neutral towards a shift of decision-making from Whitehall to Scotland, and two thirds either sup-ported or were neutral towards setting up a Scottish legislature. But less than a third said they would favour one with tax raising powers. When the institute of Directors in Scotland recently consulted its members, some of them said Scotland could benefit from a parliament if it approved legislation relevant to Scotland's needs more speedily than Westminster. Others pointed to the economic benefit that Edinburgh would gain as a centre of

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based Weir Group, a hig engineer-ing company, is a Scot and a staunch upholder of the union of the United Kingdom. His role at today's conference is to outline why devolution is bad for Scottish busi-

The assumption people make, he says, "is that nothing else will, change after devolution and things

threatened if Scotland pulled away. Westminster or in the sharing out of public expenditure among the regions. But Lord Weir believes that However, that attitude will be rejected at today's conference by Mr Nigel Smith, who runs a Glasgow engineering company. He believes "these issues will not go away or be settled quickly". As a result, he says, "devolution will be unstable and cause uncertainty, and uncer-'tainty is very bail for business". devolution for Scotland will swiftly be followed hy the setting up of regional assemblies in northeast England and elsewhere, though

dividing line in attitudes apart from Wales this is not in

assurance companies and fund managers is extremely worried about

the proposed tax powers. The main concern of Scottish Financial Enterprise (SFE), the trade body for the sector, is bow a Scottish assembly would apply any income tax surcharge to unearned income such as interest and dividends, which are taxed at source. People with money in Scottish bank

"Spokesmen on the devolution

English competitors could say to

potential customers: "Why put your

money with a Scottlsh company over a period of 20 to 25 years when

something that benefits almost everybody. But the suspicion that responsibility to avoid exposing individual nations are promoting the whole planet to danger.

# Mr Brown's tough choices

disadvantaged. -

ovalifications.

It is right that the state should

acknowledge the extra cost of

school. It is also clear that the

benefit has done little to encour

age poorer children to remain in

education. Four-fifths of the chil-

The means-tested maintenance

tion. For all the squeaks at Mr

Brown's snggestion from the

Labour left, the main beneficiaries of the present system are middle class parents, whose children are

likely anyway to stay on at school

It is they who stand to lose, a point quickly grasped by Mr Peter Lilley, the secretary of state for

social security. But the middle classes cannot

be immuns from reform of the

welfare state. The emergence from

the present system of a vasi

swathe of un or undereducated young people involves a heavy economic as well as social cost.

Britain will not prosper unless it

raises the skills of s high propor-

tion of the workforce. As long as

there is no pot of taxpayer's gold, it makes sense to distribute exist-

Mr Brown is promising further

hard decisions before the election.

notably on the future of state pen-

sion provision. More will be

needed, however, if Labour is to

satisfy the voters it has mended

its ways. So far it has offered a

vague pledge not to raise the tax

burden on the middle classes, has rashly promised to reduce VAT on

domestic fuel and has floated the

idea of a lower starting rate of

income tax. But great uncertainty

still surrounds its attitude to the

higher rate of income tax and the

extent to which it might make the

whole tax system more progres-

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ing resources more equitably.

It is commonly assumed that the cation and training for the most Labour party lost the last general election in the UK because of its commitment to higher taxes. The bringing up children, but the pres-ent benefit already ceases to be proposed scrapping of the income ceiling on National Insurance conuniversal at age 16. It is lost to the mothers of children who leave tributions and planned increase in the top rate of income tax played directly into Conservative hands. Tax, however, does not tell the full story of the defeat. The voters indeed feared higher taxes but, crucially, they also believed the dren of unskilled men leave school additional revenue would be at 16, the majority without any wasted. A Labour government would not deliver a better health service or refurbished schoois. Further education Higher taxes and spending were simply the easy option, an excuse grants paid by a handful of local authorities have proved a more to ignore more difficult decisions about the future of the welfare state. The electorate's hard-earned cost-effective way of encouraging money would be squandered, most such children into further educa

probably on bribing Labour's trade union friends. Mr Gordon Brown, the shadow chancellor, has spent most of the past four years attempting to dispel this perception. Previous spending pledges bave been ditched and assurances offered that Labour has no intention of mising the tax burden on middleincome Britain. In an oft-repeated phrase, Mr Brown is determined to show that Labour can make "tough choices" about priorities, that it is prepared to cut spending as well as increase it.

### Welfare state

The obvious starting point is the welfare state. The shadow chan-cellor has already indicated that unemployed young people who refuse to take up serious offers of work experience, further education or training should expect to have their social security benefits reduced. As he admitted last week, for too long Labour's instinct has been to compensate those in poverty through higher henefits rather than to provide them with the educational and seconomic opportunities needed to escape from welfare. Now Mr Brown has also said

that a Labour government might scrap the payment of child benefit for those 16 to 18 year-olds who stay on at school, at a saving of sive. Mr Brown will soon have to around \$700m a year. The resources would instead be conconfront tough choices abont tax centrated on providing better edu- as well as spending.

political power. But the predominant conclusion was acgative: institute members feared that a Scottish parliament would distort the UK's single market by imposing higher taxes and different business legislation to England. Aware that most Scots had voted over the past 40 years for parties hacking higher public expenditure, they felt this would inevitably mean that the parliament would raise taxes.

We need devolution like we need a hole in the bead," is the private verdict of one senior Scottish businessman. He considers a Scottish assembly to be a fad of romantics, not of "people who have to earn a living or pay a wage cheque". Lord Weir, chairman of Glasgow-

like our relationship with England will just carry on as before. But it won't be like that. At the very least it will precipitate debate about other changes, and may even lead to such changes.

the over-representation of Scotland at Westminster ~ the fact that Scotland merits about 57 MPs on s popnlation basis but has 72; and the West Lothian question, raised in the 1970s davolution struggle by Mr Tam Dalyell, then Labour MP for West Lothian, who asked why, after devolution, Scottish MPs at Westminster would be able to vote on education in England while English MPs would not be able to vote on education in Scotland.

Devolution will also expose, Lord Weir says, the fact that identifiable public expenditure per head is 21 per cent higher in Scotland than in England, and substantially above that in the north of England, which has much higher unemployment. The Labour party firmly rejects contemplating any change in the way Scotland is represented at

to Scotland, and those such as Weir Group and the financial institutions He is thinking of issues such as which operate all over the UK. Companies in the latter category have channels of communication to the British establishment which they do not need to supplement with a body in Edinburgh. Mr John Mackenzie runs an elec-

**OBSERVER** 

trical contracting business in Edinburgh which deals mainly with companies headquartered in England. He is afraid that "the more we emphasise bow different we are, the more we risk stirring up the English and being seen as turbulent Scots".

He wonders whether many Scots realise that they probably have a greater influence in the UK than their share of the UK's population entitles them to. That includes disproportionately large representation on such bodies as industry-wide training committees and academic research institutes. All this could be

Commercial's former chairman,

to devolution can be dis-Labour's plans. This would diminaccounts could end up paying more ish the lopsidedness of devolution to Scotland.

tax than those with English banks. Mr Smith also challenges the Scottish husiness community's side have made reassuring noises, opposition to the Scottish parliabut the tax question is still somement having tax-raising powers. thing of a black hole which needs to Such powers would belp "concen-trate the minds of politicians about be clarified, and quickly," says Mr Grant Baird, chief executive of SFE, just bow important a particular who is addressing the conference. piece of expenditure really is". Scottish life assurance companies, Labour's Mr Robertson is highly which do about 85 per cent of their sensitive on the issue, possibly because of the Conservatives' business in England, are afraid that even if the political parties promise not to levy any tax now, their

call the "tartan tax". "A power is not a tax," he says, "and a governing Scottish adminis-tration would be very cautious before thinking of using even part of that power." He believes the parties in a Scottish parliament will state in advance of elections to it whether they intended to use the power. Labour has no plans to use it, he says.

impossible to go to the bathroom. The other is Margaret Ng, who

represents the legal profession in LegCo. Both were in London at the

weekend, lobbying their lordships.

They are worried about China's plan to scrap the existing LegCo.

deploy a provisional body to pass

laws undermining freedoms in Hong Kong, forcing out of politics those it doesn't like. People like

Ng, a precise lawyer who is hardly

a ranting rabble-rouser, will find themselves in a new role. "They

say I am a dissident, but I thought I was a conservative," she says.

Loh says she is also concerned

by China's request for air-time on

broadcasts would at least initially

enjoy high ratings: "We would be

very interested to see what sort of

crap they come up with," she says

government-owned Hong Kong

television and radio. But she

admits that any Chinese

dismissively.

Their fear is that China may

Labour has also said the assembly would have no powers to alter corporate taxation. But the Scottish financial community of banks, life

"Financial Times

### 100 years ago

Competition from Japan The industrial development of Japan is going on apace. and the amount of fresh capital invested in new and old enterprises including railways and banks from January, 1895, to the begining of this year is estimated in a native paper at not far short of 500.000.000 yen. New concerns absorbed most of the capital subscribed, and the current year has started with quite a boom in the Japanese company world. It appears that both Australia and California are beginning to get anxious about the industrial competition of Japan, and the Californians are about to make representations in Congress on the subject. But Japan can hardly be regarded yet as a serious competitor in the export field

### **Electrical standards**

In the House of Commons yesterday Colonel Mellor asked the President of the Board of Trade whether the Board could offer the same facilities for testing and checking electrical standards as is given by the German Government with so much advantage to the German manufacturers of electrical apparatus, Mr. Ritchie said the Board of Trade had caused new denominations and standards for the measurement of electricity to be made and verified.

One byte short of mega

· · .

B What do you do if you are a US computer magnate with money to burn? Buy a sports team? Oh, what the hell, gimme two. Microsoft co-founder Paul Allen has gone for

the double. Providing the US National Football League is willing to change its role forbidding ownership of clubs in different sports, Allen will become the proud owner of the Seattle Seabawks football team. He already owns the National Raskethall Association's Portland Trail Blazers. Nothing is fixed, but at the ekend Allen acquired an option to buy the Seahawks any time in the next 14 months for an undisclosed price believed to ba more than \$200m, including

existing debt. A statement from the NFL said it was reviewing its policy prohibiting someone who owns a majority interest in an NFL club holding any interest in another professional sports team. But a recent study by the league found that a case could be made for dual ownership, and the issue will be discussed next month.

Cyberspace experts reckon that those who own attractive sports teams will become significant players on the new-media scene by early next century. That could be what Allen is thinking about. Or

perhaps he simply has more money than megabytes. an megabytes. Room on top Japan's trade diplomats were in

mischievous mood at talks this weekend in Kobe between the US, Japan, the European Union and Canada. They had a double edged . welcome in store for Charlene Barsheisky, the newly-appointed acting US trade representative, who turned up to Kobe to give her maiden performance at an international meeting. Japan's ministry of international trade and industry has never forgotten how the US last year threatened Japan with unilateral economic sanctions under section

301 of US trade law, in the dispute over access to the Japanese car market So when Barshefsky's delegation turned up to the meeting hall in Kobe, they were politely shown to their quarters in - yes yon guessed it - Room 301.

### Icarus meltdown

No wonder people are getting a touch jittery about state-owned Commercial Bank, Greece'a second-largest banking group. Weeks after other Greek banks announced their results, Commercial's new boss is still poring over the balance sheet.

Panayotis Poulis, was sacked two months ago in a shake-up at state banks ordered by the new prime minister, Costas Simitis. Poulis's strategy for expansion, which included hiring hundreds of new staff, increasing the bank's exposure to Greek shipping companies and setting up a \$100m venture capital subsidiary, was overly aggressive, according to former colleagues. The new chairman, Dimitris reputation for caution while serving on Greece's capital markets committee, the watchdog for the Athens stock exchange. Among other things, Georgoutsakos has been taking a close look at Commercial's provisions for doubtful debts. Bankers at Commercial are now suggesting Poulis's optimistic forecast that 1995 profits would amounting to some Dr45bn (\$187m) may have to be cut by half.

### Peer pressure

When the UK House of Lords debates Hong Kong this week it will have the benefit of advice from two of the territory's tougher women politicians. One is Christine Loh, the democracy campaigner who once threatened to chain herself to the Legislative Council building when China takes over, only to change her mind when she realised it would be At least it's shorter.

Logged-off Slapped wrists for the anthoritative French organ Le Monde. The association for the respect of the French language has criticised an article it carried on measures to protect tha use of French – but which made a reference to a "CD-ROM" computer disk. The correct phrase, the association argued, should be a "DOC" - a disqoe optique compact.

Georgoutsakos, acquired a

cerned between Scottish companies whose activities are largely confined

almost daily attacks on what they

the tax raising powers could be different in five years' time?" Fearful of that danger, some Scottish life companies warned before the 1992 general election that they might have to move their domicile to England. That is just one of the questions raised by devolution that

are likely to be debated even more intensely if a Labour government comes to power.



24

# FINANCIAL TIMES Monday April 22 1996

Design

skills of

lag rivals

**UK groups** 

in Germany

British companies lag their

German rivals in design skills,

hut the gap is not as great as in manufacturing knowhow, says a study of innovation and

product development published

Only four of 122 UK plants

covered were rated world-class

in design. The survey was car-ried out jointly by IBM, the US

computer company, and the Lon-don Business School. Of 123 Ger-

man factories, 10 made the top

grade. The seven worst perform-

Rowever, while British compa-

nles consistently fared worse

than German groups, the resear-chers found that overall there

were fewer poorly performing

UK businesses than in a similar

study of manufacturing skills

The authors say there is some

truth in the British belief that

the "UK breeds great skills of

Mr Philip Hanson, manufactur-

ing practice leader at IBM Con-

published two years ago.

ers were all British.

today.

By Stefan Wagstyl in London

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# Ministers look for reassurance of Japan's recovery

# **Bundesbank rate cut** brings optimism to G7

By Robert Chote, Economics Editor, in Washington

Finance ministers and central bank governors from the Group of Seven leading industrial countries met in a mood of cautious optimism about the world economy yesterday, in the wake of the Bundesbank's unexpected decision last Thursday to cut German interest rates. The G7 meeting took place

ahead of the spring meetings of the International Monetary Fund and World Bank, which start in Washington today. The IMF expressed concern about the sluggishness of Europe's "hard cur-rency" economies last week and urged that "the available scope for further easing of monetary conditions in the hard currency countries be fully utilised".

European growth has sup-planted misalignment of key exchange rates as the G7's main concern in assessing the state of the world economy. However, G7 officials said that ministers and

central bank governors would also be looking for reassurance from the Japanese that recovery in Japan was safely under way and that domestic policies would continue to support it.

On exchange rates, German officials said yesterday they were broadly content with the level of the dollar, but Mr Hans Tietmeyer, president of the Bundesbank, hinted that he would be happy for the US currency to rise even further,

A Japanese official said it was not clear whether the G7 was yet satisfied with the dollar's level against the yen, but ministers will discuss an IMF staff document today which argues that there has been "an adjustment in the value of the yen towards a level that no longer seems misa-

Mr Theo Waigel, German finance minister, said he was concerned by the IMF's leniency towards countries in Europe that had devalued against the bard core. He argued that devaluation

was "dangerous and wrong", and that all countries could not pursue this policy at once because some had to gain at the expense of the others. Before the G7 meeting, Mr Wai-

gel met Mr Kenneth Clarke, UK chancellor of the exchequer. They agreed that enlargement of the European Union should not provide an excuse to raise the ceiling on the EU's budget from 1.3 per cent of gross domestic product.

They also agreed that it was important to get discussions under way on the financial implications of enlargement before the accession negotiations started in earnest after this year's intergovernmental conferences. The G7 finance ministers were

also expected to discuss the joint proposals by the IMF and World Bank to alleviate the debt burdens of some of the world's poorest countries.

IMF checks out progress, Page 5 Editorial Comment, Page 22

# Main trading powers near to pact on opening up telecoms

### By William Dawkins in Kobe

The US, European Union, Japan and Canada yesterday moved closer to an accord in World Trade Organisation negotiations to liheralise the more than \$500bn-a-year global telecommunications market, but important issues remained unresolved.

The meeting in Kobe of the world's four main trading powers ended with qualified optimism remaining problems could be settled in time to encourage others to sign up to a broad interna-tional accord by the WTO's dead-line at the end of this month, after nearly two years of talks.

We have made very important progress ... Snccess is by no means assured, but we hava agreed to work to that end," said Ms Charlene Barshefsky, acting US trade representative. Sir Leon Brittan, European trade commis-

Israel

sioner, said that on the strength of the progress at Kobe others

"must come forward and join us in the last lan to success". Canada and Japan were expected to make improved offers in the next few days, adding authority to the Quad's hopes of encouraging the 30 other countries in the telecommunications talks to follow suit. Sir Leon and a top US trade diplomat left Kobe for Indonesia and Singapore to seek support.

All four Quad trade ministers suggested there was room for compromise, which they will now seek to turn into firm offers after consulting their governments in the next few days.

The EU indicated flexibility on what had been one of the main sticking points for the US: restrictions on foreign ownership of telecoms companies in three European countries, France, Bel-

sulting, IBM's management consulting arm, attributes the German lead in design mainly to the higher level of technical edugium and Spain. In return, the US and Canada showed readiness cation in Germany and the to compromise on what had been

invention".

higher value placed on practical engineering skills. "They create engineers, while a problem for the Europeans: restrictions on the landing of we create scientists," Mr Hanson submarine telecoms cahles on US Says.

He also says that Germany's Canada was unable to lift its higher labour costs force Ger-46.7 per cent ceiling in foreign man companies to pay more ownership, but that would be less attention to cutting costs during of a barrier to progress if, as seemed possible, it liberalised the design process because it is easier to make big cost reducsubmarine telecoms, said trade tions in a product during the design stage than after production starts.

Expectations were high for resolution of the two other main "They're very methodical, designing things over and over again," he says. "So are the Jap-anese. But we don't do this so sticking points in the WTO talks: US anxiety over the terms under which free competition should be introduced into international well."

telecoms services, and the scope In both the UK and Germany, the study found the bestperforming companies tended to he strong in all aspects of design including product life-cycle planning, technology strategy, inno-vation culture and design for production.

Leading companies are both quality-conscious and fast, the

# THE LEX COLUMN Redundancy options

The controversies over the chairman of AT&T's \$16m package and the deci-sion by Daimler-Benz to award its top executives share options highlight one of the hig ethical questions in modern capitalism: should bosses profit from making their employees redundant? In both cases, vast redundancy programmes are under way - 40,000 at AT&T and nearly 9,000 in Daimler-Benz's aerospace unit alone - and investors are cheering the prospect of cost reductions. At AT&T. executives already possess options, allowing them to benefit from any rises in the share price; at Daimler, they soon will.

In principle, incentives for managers to improve shareholder returns, even if that means making painful job cuts, are desirable. But, in each specific case, investors need to satisfy themselves on two points. First, do the redundancies really add to the business's long-term value or will they merely give a short-term fillip to the bottom line? At AT&T and Dahmler, the redundancies are unavoidable, given increasingly still competition in telecoms and aerospace. But executives can sometimes seem willing to compromise future growth prospects

by slashing jobs. Second, even when redundancies are needed, should the executives be rewarded for implementing them? That depends on whether the cuts are required because of changes in market conditions or past mismanagement. In most situations, including both AT&T and Daimler, the truth lies somewhere in between. Investors must therefore exercise their judgment carefully. But where mismanagement is clearly the main culprit, it would be more appropriate to fire the executives concerned than to enrich them with options.

Accounting rules

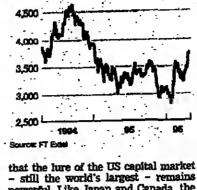
One of accounting's Holy Grails - a set of common standards acceptable the world over - is almost within reach. This month, the International Accounting Standards Committee slashed a year off its four-year timetable to produce such a core set of standards. Its secretary-general, Sir Bryan Carsberg, now hopes to publish them by March 1998. The benefits would be considerable: companies could list their shares and raise money in all major markets using just one set of accounts. That would reduce their cost of capital. Investors, meanwhile, could make more meaningful crossborder comparisons.

But Sir Bryan's success is not a foregone conclusion. The recent decision by German conglomerate Veba to adopt US accounting standards shows

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- still the world's largest - remains powerful. Like Japan and Canada, the US does not currently accept IASC standards. US rules are harsher; but if enough big European companies adopt them because they get fired of waiting for the revamped international ones, that could undermine the credibility of the IASC.

Much depends on which way Deut-sche Telekom jumps when it floats later this year. If many more German companies choose US standards that may encourage America'a Financial Accounting Standards Board to set itself up as a rival. Equally, the G4 - a group including the British, Canadian and Australian standard-setters as well as the FASB - may be tempted to usurp the IASC's role as the international standards-setter. To head off such threats Sir Bryan must deliver standards that are strict enough to be credible; and deliver them on time.

### India

With India's reformist government widely expected to lose its parliamentary majority, you might think the stock market would be having the jitters. But you would be wrong. Last week alone, fuelled by strong foreign huying, the market rose 7 per cent.

One of the reasons, perversely, is that investors have grown used to a post-election rebound in India; by piling in early to take advantage of it, investors have started the rebound before the elections have even begun. This is, of course, risky. The election result is deeply unpredictable, but the least likely outcome is that any one party will have a clear majority. A coalition government could easily mean a period of painful uncertainty stors. And such a government for inve is unlikely to have the political strength to press on rapidly with the reforms India needs: deregulation of industry, and unravelling the sprawling public sector.

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But the downside risks still look modest: certainly, the opposition parties' manifestos are surprisingly mod-erate. And even if opposition to foreign companies were to grow again, that would not hurt Indian stocks. But the most compelling case for investing is simply that shares look good value. Even if corporate earnings growth is slowing, it is still formidable - comfortably enough to justify an average market rating of 13 times next year's earnings. Moreover, given the political consensus surrounding the basics of reform, and India's undoubted economic potential, the long-term outlook is benign. India may still be more like an elephant than an Asian titter, but such beasts have their virtues.

Hanson

The fashion for demergers is bringing some life back into long-depressed Hanson. Its shares are almost back to the level when its four-way aplit was announced. And brokers are talking of a 250p-a-share break-up value for the conglomerate, suggesting potential upside of 25 per cent.

It is hard to divorce the current enthusiasm from the fact that a throng of merchant bankers and brokers is pushing to secure mandates for the three new companies. But there are two factors which justify higher valuations. First, Southern Company's unreciprocated affection for National Powar suggests that its attention could turn to Hanson Energy. That includes Eastern Electricity - which last week acquired three of National Power's power stations for £1.7bn and US-based Peabody Coal. The Atlanta-based Southern Company might find such a package appealing. Second, there has been a pick-up in

US demand for cyclical stocks, compounded by recovering commodity chemicals prices. This suggests a more receptive andience for the spin-off of Quantum and SCM. Indeed, a pre-flotation trade sale of SCM must be a possi bility.

Nonetheless, investors, should not get carried sway. The tobacco, chemicals and energy offshoots may attract bid speculation, but both the energy and residual Hanson businesses will be hamstrung by the future cash out." flows associated with the group's 25.5bn of provisions. In addition, US accounting rules will substantially increase Hanson Chemicals' reported tax charge, damaging valuations. Besides, the value of the parts will remain unclear until the full costs of the demorger are revealed.

of application of free trade principles to outlaw unfair discrimination by dominant carriers. EU and US clash, Page 4

and Canadian shores.

diplomats.

# UK may ban beef imports

FT WEATHER GUIDE

study says. As a result, **Continued from Page 1** Continued from Page 1 considering refusing to make its cannot hope to compete by conregular monthly payments to centrating only on quality or a deal arranged by its strongest speed: "As a result, the gap humans, including an order to Brussels. Howaver, this seems ally and is suspicious of France's remove specified offal from carunlikely to happen because the between world-class and the rest Lease Plan. close relations with Beirut, cases, while such measures are EU imposes penalties on counis likely to widen. Damascus and Tehran. not in place elsewhere in Europe. tries which pay late, and would It warns against the tempta-A unique open approach The French initiative is a much Other countries which have had BSE are the Irish Republic, almost certainly block further tion to move too much manufacnarrower revival of the July 1993 funds to Britain. turing activity to low-cost coununderstandings. Portugal, France, Germany, Italy to vehicle leasing. Another source of tension is tries in east Asia or elsewhere. It Mr de Charette yesterday disand Denmark. The number of likely to be Britain'a reluctance says that while there are missed suggestions by Mr Peres cases ranges from 124 in Ireland to agree on compulsory slaughter short-term savings to be had, that negotiations had to be done to one in Denmark. Britain has had about 159,000 cases. there are long-term advantages in keeping design and manufacof herds most at risk of BSE. by Washington. saying a cease-Britain undertook to table profire deal would be concluded fas-The confrontation hetween posals for a cull by next Mon-day'a meeting of the EU farm turing close together. Made in Europe ter if several channels were used. Britain and the rest of the EU 2 TBM council hut the UK agriculture But it became clear yesterday was further highlighted by con-Consulting Group, IBM United separate initiatives have slowed firmation from a minister yesterministry said a selective Kingdom. PO Box 31, Warwick slaugh the negotiating process. day that the government was CV34 5JL. ter was not "definite".

### Europe today

Most of western Europe will remain dry and warm. Southerly winds will cause summery conditions and temperatures above the seasonal average in Germany, Poland and Austria, France, particularly in mountain areas, and Britain will be overcast with showers and some thunderstorms. A low over ireland will cause unsettled conditions in the British Isles, and some parts of south-eastern Europe will be unseasonably cool and overcast with showers. Italy will be warm and sunny.

### **Five-day forecast**

Cooler air accompanied by heavy rain and thundery showers will move into the region. In western Europe midday temperatures will fall to about 17C. except in the south. North-eastern Spain and south-eastern France will remain unsettled during the next few days, with some rain and thunderv showers.

### TODAY

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INSIDE

Graninge

Electricite de France, the

French state energy utility.

has effectively won control

of Graninge, the Swedisb

# **US** store loss pushes Isetan into first deficit since 1961

By Emiko Terazono in Tokyo

Isetan. the Japanese retailer, said it would fall into the red for the 12 months ended March for the first time in 35 years, because of losses result-ing from the bankruptcy of its partner, Barney's of New York.

The department store opera-Japan's leading stocks are poised below the elusive 22,000 mark tor said it would post an unconsolidated net loss of ¥31.8bn. (\$297m) - its first Financial astrology is in vogue again in Kabuto-cho, the stockhroking since listing in 1961 - because of write-offs of its loans to Barney's, whose Chapter 11 district in the heart of Tokyo. proceedings began in January. Always on the lookout for supernatural inspiration, bro-The retailer tied up with Barney's in 1989 in an agreekers and investors are snapment to help the US store's ping up the latest mystical domestic expansion in return offerings in local book shops. This time the search for spirifor transfer of product development and other retailing tual divination of the market's expertise. Isetan claims to next move is an urgent one: is the Nikkei about to make a long-awaited break-out? have provided the New York retailer with Y61.6bn in investments and loans. The indax of 225 leading

87.6

A dispute over the tie-np agreement erupted when Isestocks is poised, like a wraith before a talisman, in front of tan refused to give np ownerone of its most critical numerisbip of the Barney's stores in cal barriers. the US it helped finance. The Having hit a low of 14,485 sides are locked in litigation, last summer, the index has with Barney's filing a suit for been rising steadily since. A \$50m against Isetan and the recent spurt has now taken it Japanese retailer countering into familiar territory, and it with a \$168m lawsuit against waits just under the 22,000 Barney's. level. Twice in the past three

Isetan will write off Y30.7bn years the Nikkei has tested in loan losses to the Barney's this critical point of resistance, and twice it has failed. But this group, and Y3.6bn in valuation losses on its stock holdtime there is a growing confiings of Isetan's wbolly owned dence in the market that it can US subsidiary. punch a way through. "The consolidation in the market is over. We believe the

Despite the loss, the com-pany will maintain its annual dividend of ¥10 per sbare while its board members will index will have a strong sec-ond quarter of 1996, breaking forego bonuses.

levels," says Mr Jason James, strategist with James Capel Official earnings for the year to March are doe to be Pacific in Tokyo. released next month, but Ise-The barrier is a significant tan said unconsolidated recurring profits rose 11.5 per cent one because most chartists to Y7.1hn and sales incr believe that once it has bee 0.9 per cent to Y414bn. cleared, there is little technical resistance to stop the index ris-On a consolidated basis, the company will post a net loss of ing much higher, back to near bubble highs. Y31hn, despite a net profit of Historical analysis of trading Y2.5bn. Sales are expected to rise 2.4 per cent to Y565bn on by investors indicates that the 20,000 to 22.000 level on the a 1.4 per cent decline in pretax profits of Y7.2bn. Nikkei is crucial. For some Other Japanese high street retallers released mixed time the index has been caught in a tug-of-war between foreign buying and Japanese selling. results on Friday as those which aggressively cut costs Domestic investors have been saw a sharp profit rise while consistent heavy sellers of Japanese shares whenever the some continued to struggle with the effects of the Kobe Nikkei has been between 20,000 eartbqnake which hit the to 22,000. Those sales have been met with active huying western city in January last by overseas investors. year. If foreign demand can push Rationalisation helped Mitthe market above that range. snkoshi, the country's most there is scope for a sustained prestigious department store, report a 50.8 per cent rise in further rally. Since, it seems non-consolidated recurring prohable, selling will take profits for the year to Febru-ary to Y5.6bn. Sales fell 1.4 per place only at levels at which heavy huying had previously occurred, the Tokyo stock marcent to Y756.6bn. Net profits soared 91.1 per cent to Y2bn. ket should be free of heavy sales until 28,000 - the next But Sogo, a department store operator based in westlevel where domestic institu-tions have hought heavily. ern Japan, reported losses for Once we are clear of 22,000. the first time in 36 years, because of the effects of earthselling hy domestic investors will be minor and will not quake damage. It reported begin again seriously until 28,000," says Mr Ken Okamura unconsolidated recurring losses of Y6.3bn for the 12 months to February against a profit of Y1.5bn in the previstrategist at Kleinwort Benson in Tokyo. Last week the index touched ous year. Daimaru and Takashimaya 22,000 for the first time in four years before dropping hack. results, Page 27

# **Allianz expansion puts faith in Hong Kong**

Monday April 22 1996

By John Ridding German insurer to invest \$500m in Asia-Pacific markets by 1998 in Hong Kong Allianz's plans to invest \$500m

in Asia Pacific equity markets hy early 1998, following the setting up of a Hong Kong asset management arm, marks a strategic expansion in the region and a vote of confidence

through previous resistance

in the territory's prospects, according to Dr Henning Schulte-Noelle, chairman of the German insurer. Speaking after the launch of the Hong Kong operation, Dr Schulte-Noelle said that the move reflected the strong

growth prospects of Asia-Pacific economies and the company's policy of diversifying investments. He cited Hong Kong's handover to China next year as a consideration, but not a serious concern. "Our move to Hong Kong

was a deliberate decision to demonstrate our confidence in the stability and prosperity of financial services markets of the far east and Hong Kong to particular," said Dr Schulte-

Noelle. "China has an important self interest in making sure Hong Kong remains a dynamic financial centre," he added.

The Allianz chairman also expressed optimism about winning Chinese approval for an insurance licence. There are a

lot of indications that we are in a good position," said Dr Schulte-Noelle, hinting that he expected to be given the go-ahead this year. Allianz has already invested

about \$250m in Asia-Pacific markets. A further \$250m, drawn from the group's European and US insurance subsidiaries, is to be allocated to the region within the next few vears.

"By 2000 I would not be sur-prised if we had \$1bn invested in the region," said the Allianz chief.

Hong Kong was selected as the regional base for fund man-agement because of the liquid ity of the market, according to

Dr Bernd Gutting, managing director of Allianz's Hong Kong asset management operations. He said that the fund management business would initially target hlue chip companies.

The Hong Kong operation follows other steps to develop the group's regional activities. Earlier this year, Allianz set up a regional insurance bead office in Singapore with the aim of managing the strong growth in business that is foreand Japan's Tokio Marine and

cast. "It is our goal to raise the premiums we generate here from the current DM200m (\$134m) to more than DM2bn hy the year 2000," said Dr Schulte-Noelle.

power company, after a With regard to China, the Allianz chairman said that he battle with Sydkraft. had been encouraged by meet-Sweden's second-largest ings with senior government power supplier. The move is officials during recent months. Several foreign insurance the latest stage in the struggle for pre-eminence in companies are seeking licences the newly-deregulated Nordic power market to do business in China, but access has so far been limited Page 27 to two groups, AIG of the US

> Cable and Wireless



### executive of Telecom, is well known in husinese circles, but

Mr Rod Olseo (above), his counterpart at Cable and Wireless, remains something of an enigma. As the details of a possible merger of the two telecoms companies are thrushed out between these two. attention has been focused on Mr Olsen's experience

### Fund Management

Page 26

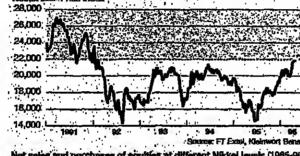
and negotiating skills.

The state of Connecticut astounded the US pension fund industry earlier this year by sacking nearly all of the 47 investment management companies between which its \$12.6hn pension fund was divided reversing a trend in the 1980s when funds appointed more and more specialised managers to handle different asset classes

### Faces

the money raised, but expects After 12 years as president eventually to make acquisitions and to augment the capi ind chief executive o T. Rowe Price, the US tal of its insurance activities. mutual fund group, Mr It says sales commissions to brokers have been "set at the George Collins, 55, is lowest commercially reasonquitting to indulge his able level, so that dealers have passion for sailing. In spring next year he will be less incentive to solicit customleaving to skipper a boat in ers". Salomon says in the filing it does not intend to stabilise the Whitbread the price after the issue by round-the-world yacht race. Mr Collins is used to buying or selling shares. challenges, having turned The offer timetable includes T. Rowe Price into one of a book building period between the higgest mutual fund companies in the US. May 8 and May 21, with the issue due to be priced after the Page 30

**Bubble reputation** Nikkel 225. Price index



es and parcha es of equilies at different Nikkei levels (1985-96

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100.00		25,000	Foreign Investors
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can break through the barrier - the real reason behind the optimism in the stock market, Japan's strengthening economic recovery. At the end of last year gross domestic prod-uct grew at its fastest rate for five years and the momentum seems to have continued. This should translate into a health-ier profits picture than the country has seen for half a decade

Japanese companies will announce their annual results next month and reveal forecasts for the year to next March. "We are predicting an upward revision of pre-tax earnings for the current year from the previous consensus of 15 to 20 per cent growth to a 25 to 30 per cent year-on-year rise. This should push share prices higher," says Mr Tetsuro Nomura at Dai-Ichi Life.

Certainly, if the economy were to return to anything like normal rates of growth, the Nikkei's continuing rise might be justified.

Yet the weight of domestic opinion still seems cautious for a number of reasons. The translation of earnings into higher prices may not be so easy. Valuations are looking stretched again, even discounting this rate of profits growth.

And there are negatives that could spoil the picture completely. Banks, which account for more than a quarter of the

total index, are about to report

their biggest losses ever, and

tha recent data indicating

weakness in US semiconductor

demand could affect Japanese

high-technology companies,

triggering a downward revi-

**Bearish Buffett** increases size of stock offering

### By Maggle Urry in New York

Heavy demand for a proposed share issue by Mr Warren Buf-fett's Berkabire Hathaway investment and holding company has forced it to increase the size of the offer - even though Mr Buffett has made clear he thinks the US group's shares are over-priced and he would not buy them. The company says it has no immediate need for funds from the issue. On Friday Berkshire

amended its Securities and Exchange Commission filing to increase the offer from 100,000 shares to 250,000, which could raise \$375m. But in a filing with the SEC

earlier this month, Mr Buffett and Mr Charles Munger, vicechairman of Berkshire, said neither of them would buy the shares at their current price, "nor would they recommend that their families and friends do so".

They say the group cannot continue to raise its per-share book value "at even close to its past rate" and warn the share

shareholder approval at the annual meeting on May 6, to undermine attempts by some investment firms to set up unit trusts investing to Berkshire shares. Mr Buffett has always been reluctant to split the company's stock although the price of \$33,300 at Friday's close is out of reach of many investors He decided to issue the B shares at a price of ouethirtieth of existing shares which will be reclassified as A shares, to allow smaller inves-

tors to huy directly rather than through the proposed unit trusts. The A shares will also be convertible into B shares. Berkshire bad proposed the issue of 100,000 B shares, with

Salomon Brothers, the under writer for the issue, having the right to buy a further 15.000. However, on Friday the SEC filing was amended to increase the proposed issue to 250,000 shares, with an option for Salo mon to buy another 37,500.

Page 30 The draft prospectus says the company has no plans for

Nikkei teeters on the edge of a breakthrough

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States and a served in 21,000 20,000 39,000 18,000 Level of Nikkai 225

This week it is expected to of which Y1,000bn is expected to flow into equities.

But this extra impetus to the market may not endure. "Buy-One factor that suggests it might is that in recent weeks ing by pensinn funds is not going to last forever and expec-tations of their buying already foreign investors have been joined on their end of the tug-of-war by growing numbers seems to have been discounted

The index is in a tug-of-war between foreign buying and Japanese selling

of domestic huyers. This into share prices," says a fund month, for the first time, rule changes handed more of the Fire Insurance, the country'a country's pension funds over to investment advisers, away tors coming into the market now are unlikely to see from the cautious life assurers, which have heen eschewing short-term gains, he says. equities. Analysts estimate that this deregulation has more solid foundation for the freed about Y5,000bn (\$47bn). proposition that the market

sion in overall earnings for the manufacturing sector. The other imponderable is interest rates. The apparent bottoming out of US rates poses a risk for Japanese equities. Among foreign investors, US mutual funds have bought more than \$20bn a month

Indeed, Tokyo was hadly shaken by uncertainty over the course of the US economy when the release of unexpectedly high employment figures jolted Wall Street last month. If Japanese interest rates were to rise too, equities would start to look expensive again.

These concerns explain why the market has not yet broken through its invisible barrier. Jananese fund managers were so badly hurned on the way down from the bubhle highs of six years ago that their attitude is still one of caution. It may yet take another great haul from outsiders before they can be persuaded to ahift.

Gerard Baker and **Emiko** Terazono

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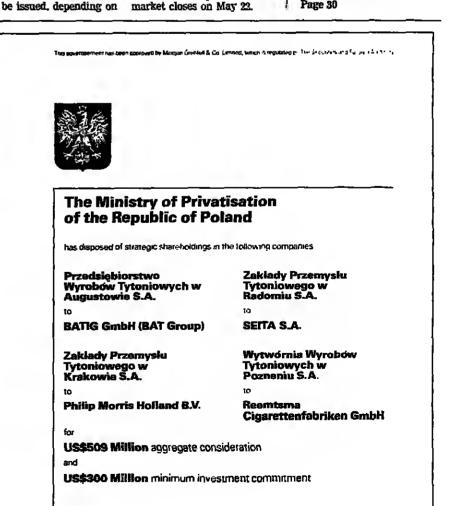
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	Southern Company
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price will encounter "periods of underperformance, perhaps substantial".

In a highly unusual prospectus, the group tries hard to deter investors. Even so, demand appears to have outstripped the proposed issue size. The filing said the issue's

size would be tailored to satisfy demand, so huyers seeking quick profits "are almost certain to be disappointed". The new class of B shares are to be issued, depending on



Morgan Granfall & Co. Limited

acted as financial edviser to the Ministry of Privatisation on these transactions

Morgan Graniell & Co. Limited 23 Great Winchester Street, London EC2P 2AX Tet 0171 588 4545 Fax: 0171 8:26 7900



# UK generator poised to acquire power distributor

### By Patrick Harverson in London

gia utility. National Power is expected to announce today an agreed £3.6bn (\$3.95bn) acquisition of Southern Elactric, the UK regional electricity company, in a move the generator hopes will bolster its defences against Southern Company bid. a likely hostile takeover hid from Southern Company, the US utility.

National Power is also believed to be considering returning some of the money it will receive from the £1.7bn sale of three power stations to Hanson, the UK conglomerate, to shareholders via a special or enhanced dividend or a huyback. The sale of the stations was confirmed late on Friday. Southern Company. In another development, National Power is on the verge of spending \$360m on acquiring generating capacity in Pakistan and the US. The group believes the deals will underline the success of its internawest supplier, and believes if it accepted soon.

tional strategy and act as a fur-ther buttress against the Geor-ernment might refer the deal ther buttress against the Georto the MMC. Although industry aources The revival of the bid for Southern Electric - the deal

ceed?

believe Mr Lang could rule on the MMC's decision to approve the National Power hid for lapsed when it was referred to the Monopolies and Mergers Southern Electric (and the sep-Commission in November arate PowerGen bid for Midwill form the core of National lands Electricity) as early as Power's defence against any this week, National Power Although Mr Ian Lang. UK fears Southern Company may trade and industry secretary, launch a formal offer before the ruling is made public. still has to rule whether the The two international deals bid should be allowed - it would represent the first vertiwere initiated before the US group arrived on the scene, but cal integration of the electric-National Power hopes they will ity industry since privatisation convince shareholders that it in 1991 - the generator is confican broaden its international dent of receiving approval and presence without belp from believes a quick conclusion of Southern Company. the deal would unsettle The \$210m purchase of a 26 per cent stake in the Kot Addu The US group, which dual-fired station is expected to unveiled its interest in a be confirmed this week, and merger with National Power the generator is confident that last week, does not want to acquire Southern Electric. It its \$150m bid for a Massachualready owns Sweb, the south- setts power station will he

COMPANIES Alfianz Austrian Alternet BCH BT Banemex Banco Santand **Badeshine Hathew** Cable and Wineles DEP Daewoo Deimaru Dasa Domier Luftfahr **ECF** Endesa **GEC Alsthom** GM Graninge **Guilspangs Krait** Henjan Hughes Electronic

largest non-life insurer. Inves-

Instead, the bulls point to a

Westinghouse

### COMPANIES AND FINANCE: UK

# The enigma at the top of C&W

Alan Cane analyses the man who may create the world's first global telecoms operator

n explosion of inter-views and features have made Sir Peter Bonfield, British Telecommunications' new chief executive. the business equivalent of a household name. His counterpart at Cable and Wireless, Mr Rod Olsen however, remains something of an enigma.

The details of a merger between the two companies, if one should come about, are being thrashed out by these two individuals, which makes Olsen's experience and negotiating skills of more than passing interest

He is no stranger to the City where, as C&W finance director since 1987, he was recognised as a competent and conservative operetor. Since November last year when C&W's former chairman and chief executive, Lord Young of Graffham and Mr James Ross. were bundled out after an embarrassingly public disagreement, Mr Olsen has been acting chief executive, responsible not only for restoring stability but also for negotiations which could lead to the formation of the world's first truly global telecoms operator.

Five months is too littla time to assess Olsen's mettle as chief executives, but observers give guarded approval to his

WEEKEND SHARE WATCH



Financial analyst Terry Smith has launched a "hardhitting" attack on Carlton Communications over its treatment of goodwill after a string of acquisitions, according to the Sunday Times.

Yesterday Mr Smith said the revised edition of his bestselling book, Accounting for Growth, to be published in July, would suggest that if goodwill written-off is added back, the media group's average return on capital last year would have been 8.5 per cent, not 40 per cent. He said he was not criticising Carlton's accounting practices per se -

principles: the delivery of qualperformance. One analyst said he was "surprisingly impressed," while another ity service at a competitive price, the provision of innovapointed to the similarities of tive solutions, the deployment of leading-edge technology, exploitation of the group's style and personality between Olsen and Bonfield: "There is global presence and develop-ment of its partnering skills." an affinity between the two which angurs well for the merger talks," be said. Olsen says: "I believe 1 can

Olsen is forbidden by Takego to almost any senior manover Panel rules from discussager and have a conversation ing the proposed merger. He is, about what he or she is doing however, prepared to talk in relation to these principles. about the management There is a cascade that runs changes he has overseen at right down the group from this C&W since the departure of Young and Ross: "We have got high level to individual business units and individual strategy and tactics; it extends to away from a management by consensus approach, which was very much the style under James Ross, to management by accountability. Many of the committees have been cut

performance levels and bonuses. Olsen, 50, was born and brought up in Naw Zealand where he turned his back on the family farming business in

away and much of the travelling. We use video-conferencfavour of book-keeping. A broad-based business studies course at Victoria Uniing to talk to the US and Hong Kong. "It also made people aware that 124 Theobalds Road versity in Wellington led to a job with the accountancy firm

[C&W's London headquarters] actually exists as more than a Mitchell, It sent him to Hong morass of minutes of commit-Kong where he developed an tees and meetings." enthusiasm for the eastern

way of doing business. "You can make business decisions e says that clarifying the goals and objec-tives of the company very quickly and there is no sense of envy at what other achieve." was an important step forward. He joined C&W in 1977, in The company is now driven in 1986 he was appointed to the its chosen markets by five



Rod Olsen: 'We have got away from management by consensus'

board as director, Far East. He then called Peat Marwick and Ross debacle. returned to London as finance director after extracting prom ises that the job would entail as much strategy as number crunching

> It is this, perhaps, which explains his slight irritation over suggestions that C&W is "rudderless" while it seeks a permanent chief executive. He had been effectively chief oper-

### McCormack to set up branded golf courses

### By Tim Dickson

Mr Mark McCormack, promoter and manager of sports events and personalities, has signalled his ambition to develop a portfolio of branded European golf courses.

McCormack, 66, founder of the IMG group, is making his UK stock market debut with a reverse takeover of the struggling property company Union Square and the acquisition for 28.1m of two golf courses in the Algarve.

Behind the deals lies a belief that the European golf property sector is ripe for consolidation and the market for televised golf in Europe is under-exploited.

Courses acquired or com pleted hy the newly-restructured group will be capable of hosting televised tournaments, ating officer before the Young Olsen makes it clear that he a business in which Mr McCormack is well placed to partici-pate through Trans World International, IMG's television believes C&W is right to cast its net wide in seeking a permanent chief executive, but he

is equally clearly enjoying the role: "If we cannot find the division. Under the terms of the deal, PGA European Tour Golf Courses (IMG) - a company right person, although I believe that is highly unlikely. I would be more than happy to carry on doing what I'm doing now." jointly owned by Mr McCormack's IMG group and the professional golfers who play on the annual PGA European tour - is to be acquired by Union Square for £14.77m through the issue of shares amounting to 33.25 per cent of the enlarged capital. IMG and Tour Properties have agreed to

subscribe for additional shares which will take their combined stake to 39 per cent. Mr Richard Thompson, whose family interests will control 23 per cent of the enlarged capital after an insti-tutional placing of £10m shares, will remain as non-executive chairman and Mr McCormack will join the board as a non-executive director. Mr

IMG after 12 years, will be the new managing director. PGA European Tour Courses, as Union Square will now be known, already owns Collingtree Park golf course in Northampton, a 50 per cent stake in Stockley Park near Heathrow Airport and interests in courses in Sweden and Germany.

# **Ennemix defends 50p** valuation

NEWS DIGEST

Ennemix, the aggregates company rejecting the hostile bid by Redland, has defended the report that supported a valuation of its assets as 50p a share, and rejected Redland's final bid of 35p

The Redland bid values Ennemix at about 26.4m but the Ememix board told shareholders over the weekend: "Redland's final bid grossly undervalues your company, representing as it does a 30 per cent discount to the real value."

Ennemix directors, who hold 27 per cent of the company. have said they will not accept the bid. They asked Smiths Gore, the chartered surveyors, to value Ennemix's minerals, land and related buildings and Redland has questioned the value of 50p a share claimed for its assets by Ennemix as a result of that report.

Mr Gerald Berwick, Ennemix chairman, has written to sbareholders saying: "Smiths Gore have written to your board firmly rebuilting those assertions and confirming the net asset

value of 50p." He told them that Ennemix's 6.3m tonnes of consented reserves, including landfill potential, were given a preliminary indicative value by Redland of a mere \$2.3m but Smiths Gore's

red book valuation valued the same assets at £5.636m. He also told them that Mr Timothy Ross, formerly chief executive of George Wimpey's minerals division, would be Martin Brice joining the board as a non-executive director.

### **MBOs outperform**

Management buy-outs that have floated have outperformed tha FT-SE-A All Share index by 25 per cent, according to a The Floard All Shate Index by the report by the Centre for Management Buy-Out Research at Nottingham University said MBOs floated last year have risen by 25 per cent. The CMBOR index has increased by 118.7 per cent since December 1990, while the Hoare Govett Smaller Companies index has increased by 79 per cent. The number of MBO flotation millionaires has declined from

75 to 55, reflecting a sharp decline in the importance of flotation as a means of giving employees the opportunity to own shares.

Just over a quarter of executive directors, a similar propor-tion to 1994, had share stakes worth less than £250,000 on flotation. The 29 MBO floats during 1995 is a significant fall on the 49 of the previous year and the 36 of 1993. CMBOR quarterly review, Deloitte & Touche Corporate Finance at the University of Nottingham.

### Bank chairman received £1m

The salary and other benefits of Mr John Gray, chairman of Hongkong Bank, increased from £880,000 to £1m last year, according to the annual report of HSBC Holdings. HSBC said Mr Gray, was based in Hong Kong and his renumeration package included housing and other expatriate benefits in kind. He retires in May, Total emoluments of Sir William Purves, HSBC chairman, increased from £633,000 to £680,000. HSBC reported pre-tax profits of £3.672bn last year, up from £3.166bn in 1994. **Ralph Atkins** 

### In brief

FORTUNE OIL: Strong trading helped Fortune Oil more than double profit after tax from £1.06m to £2.17m on turnover up 57 per cent to £93m for 1995. The Hong Kong-based group, which has exploration and crude oil and gas production interests, saw trading division increase profit 52 per cent to £2.4m on revenues 50 per cent higher at £87.2m.

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rejection of the summer womenswear collection. Mr Brian Hudspith of M&S said that there would be meetings, as the group reacted as normal to changing circumstances: "Some seasons are not so good our reaction is the same." But to use the word crisis was "artistic licence". The group

though their returns were

"inadequate" - but the UK

accounting system which

allows goodwill to be written

Marks & Spencer yesterday

dismissed a report in Sunday Business that it was holding

crisis meetings after customer

off.

would be happy to be judged on its record when the results were reported next month. Harrods, the Knightsbridge store, is considering flotation at a valuation of more than £1bn, according to the Sunday Times. Mr Michael Cole, public relations director, said yesterwould now prove unlikely.

### day that the group was "not going to feed rumours nor engage in speculation." Reckitt & Colman said a Sunday Business report that SmithKline Beecham was By Geoff Dver atalking its pharmaceutical business was "absolute specu-

Eurotunnel, the Anglo-French operator of the Channel tunlation." The report said SB had twice this year offered £700m nel, will attempt to use the for the over-the-counter drugs publication of its annual business, including Lemsip, results today to emphasise the Gaviscon, Disprin and Dettol. success of its passenger and

freight operations. But with analysts expecting WH Smith is planning a losses of anywhere between £200m rights issue as part of a restructuring programme fol-£700m and £900m for 1995. attention will inevitably fall on lowing the strategic review by Mr Bill Cockburn, the new the disastrous financial posichief executive, according to tion. In particular, Sir Alastair Sunday Business. The group refused to comment yesterday Morton, co-chairman, will be under pressure to explain why on what it called market refinancing talks with the rumour. Last week it sold its group's 225 banks have stalled. Leading banks in the syndicate business snpplies division for £142m, reducing gearing to report the talks are deadlocked 5 per cent, and analysts comwhile they await detailed long-term revenue forecasts. mented that a rights issue The appointment in February

# hail increase in traffic by a French court of two medi-

ators has also held upprogress. Eurotunnel, however, insists that the talks are still taking place with the steering group of banks - the six banks which are leading the negotiations for the syndicate.

However, the slow progress of the talks can be seen by the fact that the company has not updated the instructing group of banks - the 25 biggest banks in the syndicate and the next layer in the negotiations - for

nearly two months. Meanwhile, Eurotunnel's recent traffic numbers have impressed analysts. Last month it carried twice as many cars and trucks as in March last year, and achieved a record of 50,000 passengers on the last Saturday of the month.



# **RUSSIAN FEDERATION**

Deadline for receipt of offers: July 15th, 1996 Finland

Sean Kelly, who is leaving

# Eurotunnel likely to



### Tender for the Sale of Shares in

# INDUSTRIAL ENTERPRISES in the Leningrad Oblast (District)

Key to company description: F01 - sale by the Privatization Fund, F02 - sale by the Fund following determination of conditions for privatization, F03 - sale by company owner(s) with advisory services from TOB and the Fund, company name (in brackets: available shareholding), address, object of business, comments, turnover 1995, no. of employees 1995/96

### CHEMICAL INDUSTRY

F01-01 AOOT Lessogorski Works (15 % state-owned, purchase of privatized shares possible) 188960 Lessogorski, Vyborg District Manufacture of polyethelene film and packaging material, adhesive labels and tape Rbl. M: 13,765; 418

F02-01 Kirishi Biochemical Works (100 % state-owned) 187110 Kirishi Production of alcoholic drinks (spirits) Othar production taclities exist, but are currently not in use Rbl. M: 43,000; 800

F02-02 Druznaya Gorka Laboratory Equipment (100 % state-owned) 188233 Druznaya Gorka, Gatschina District Manufacture of laboratory equipment, lass. quartz Rbl. M: 11,810; 640

F02-03 LOGP Lenpharm (100 % state-owned) 198320 St. Petersburg Wholesale trader in pharmaceuticals and optical glass Rbl. M: 53,400; 203

### ENGINEERING, AUTOMOTIVE AND CONSTRUCTION INDUSTRIES

F01-02 AOOT Tolmatshovo-ShBiMK (15 % state-owned, purchase of privatized shares possible) 188262 Tolmatshovo, Luga District Manufacture of reinforced concrete and metalwork Rbl. M: 24,793; 410

F01-03 Georgidrotechnika (33 % state-owned, purchase of privatized shares possible) 188654 Stekiyanni, Vsevoloshk District Manufacture of geological equipment, drilling equipment, water pumps, drinking water pumps Rbl. M. 2,508; 145

F01-04 Tosno Bus Factory (15 % state-owned, purchase of privatized shares possible) 187024 Novolissino, Tosno District Manufacture and repair of public transport vehicles and lomies Market leader within the Oblast Rbl. M: 16,712; 431

F01-05 AOOT Lakond (50 % state-owned) 187416 Novaya Ladoga, Volchov District Manufacture of various types of alectrical condensers Rbl. M: 5,490; 500

F03-01 AOOT Elektromash (shares in the privatized company) 188900 Vyborg Manufacture of electrical equipment, transformers, electrical instruments, equipment for community services e.g. street cleaning machines Rbl. M. 2,273; 174

F03-02 AOOT Lushski GOK (shares in the privatized company) 188260 Luga Production of processed quartz sand Market leader within the Oblast Rbl. M: 4,611; 50

F03-03 AOOT S.G. Roschal Paper Machinery Works (shares in the privatized company) 188350 Gatshina Manufacture of chopping machines, disc and pulsation mills for the wood processing, cellulose and paper industries Rbl. M: 2,906; 296

### AGRICULTURE AND FORESTRY. FOOD INDUSTRY

F02-04 Sputnik Pig Farm (100 % state-owned) 188671 Rachia, Vsyevoloshsk District Production and processing of pork meat Rbl. M: 4,396; 139

F03-04 AOZT Lodeinopolski KLPH (shares in the privatized company) 187710 Lodeinoye Polye Production of processed and unprocessed timber Rbi M: 6.918, 532

F03-05 AOOT Kirlschi Refrigeration Plant (shares in the privatized company) 187710 Kirischi Food retail and wholesale trading, refrigeration, ice production Rbl. M: 7,795; 207

F03-06 AOOT Slanzi Conserve Factory (shares in the privatized company) 188540 Slanzi Manufacture of food preserves and bottling of mineral water from own source Rbl. M: 1,555; 55

and the second second

CONDITIONS OF THE TENDER

1. In accordance with its set task of selling state owned shareholdings as well as those of the owners of privatized companies, the Leningrad Regional Property Fund, which has set up a comision for this tender, intends to offe shareholdings in the named enterprises for sale by tender in accordance with Russian law.

2. The enterprises in which shareholdings are to be offered for sale have been divided into three groups according to type of sale, ownership rights, and deadlines for decision-making.

The enterprises in the first group are numbered F01-01 to F01-05. These enterprises have not been completely privatized. The percentage of share capital owned by the state lies between 15 50 %. The state shareholdings will shortly be offered for sale through privatization in accord-ance with Russian law, information on the conditions for the investment tender that has already been carried out on behalf of these companies is valiable from the Property Fund.

The second group is made up of the enterprises numbered F02-01 to F02-04. These companies are being prepared for privatization and are currently state-owned. Bidders wishing to participate in the privatization of these enterprises are invited to submit offers to the tender commission at the Property Fund. The extent of the shareholdings to be offered and additional con-ditions pertaining to this tender will be determined. in accordance with Russian law and in consideration of the offers received.

The third group is made up of the companies numbered F03-01 to F03-06. These enterprises are joint stock companies which have been completely privatized. These companies are prepared to transfer quantities of shares - either by means of the sale of existing shares or by issuing new shares - to the successful bidders in amounts to be mutually agreed.

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Additional negotiations with enterorises and shareholders regarding the purchase of further shareholdings in excess of the stipulated amount are not the subject of the current tender and the bidder must carry out such negotiations sepa-

In the case of enterprises in the third group, offars may be submitted for production units or parts of companies which can be separated from the whole. The valuation of such units or parts of companies will depend upon the extent to which the assets of the enterprise may legally be divided.

rately.

The tender is open to the general public, and all interested bidders are entitled to present an offer in accordance with Russian law.

6. The offers submitted under the current tender will be judged by the tander committee on the basis of the amount of investment to be made in accordance with the company's business concept and the accompanying investment guarantees. Both items must be included in the offer. The company concept proposed by the bidder may contain the radefinition of individual production areas or of the whole enterprise based on economic principles

Those persons interested in bidding are invited to contact the Property Committee in order to inform themselves in more detail about the enterprises before submitting s bid. Documentation in the form of company profiles and other accessible information relating to the tender) is available free of charge from the tander office. Upon request, the Property Fund will issue bid-ders with e written invitation to visit any of the 8 above enterprises with a view to gaining further information as to their business activities and development prospects.

tion on the enterprises provided by the Property Fund or by the enterprises themse is to be considered confidential and will only be handed over to the bidder upon receipt by the Fund of a written confidentiality agreement.

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- 10. Offers shall be made in written form in a sealed envelope on which only the name of the company under offer should be given. Bidders must request additional information on the procedures for the submission of bids for enterprises in Groups 1 and 2.
- 11. The bidder must aubmit all necessary personal information in their offer (in the case of companies this must include an extract from a state register of companies and confirmation of the right of the negotiating party to represent the company). In the case of the enterprises in Group 1, the bidder must request separate docume tion from the Fund before submitting a bid.
- 12. The deadline for the receipt of bids is July 15th, 1995, at 5:00 p.m. local time at the offices of the tender commission at the Leningrad Regional Property Fund.
- 13. Following submission of the bids and for a period of the time to be set by the tender con sion, the bidder has the right to define the bid further. The length of time will in each case depend upon the group to which the enterprise belongs.
- 14. The above enterprises are offered for sale by tender in accordance with Russian civil, company and privatization law. Bidders can receive copies of these laws on request,

For further information (company profiles, information on the Leningrad Oblast, visit reports) please contact;

LENINGRAD REGIONAL **PROPERTY FUND** 

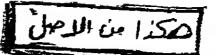
Smoini Ui. 3 193311 St. Petersburg, Russian Federation Tel. ++7812 - 274 96 87 Fax ++7812 - 274 46 08

J.N. Jakovlev, Chairman Leningrad Regional Property Fund

حكنا من الاحل

Office hours: Monday to Friday from 9:00 to 17:00 local time.

This tender has been organised with assistance from the Ministry of Finance of the Federal Republic of Germany and the Leningrad Oblast Administration



### **COMPANIES AND FINANCE: INTERNATIONAL**

# **OTE** sale sharpens investor appetite

### By Kerin Hope in Athens

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One Athens-based analyst said: "Confidence in the overall The launch of OTE, Greece's economic outlook must remain state telecoms monopoly; on strong in order to keep ap the Athens stock exchange last momentum for more listings." Shares in OTE closed at week is expected to sharpen. investor appetite for more ... Dr4,320 on Friday, the first day large public offerings this year. of trading, after quickly reach-The Socialist government ing the 8 per cent celling on plans several more offerings daily price movement set by this year but the timetable, stock exchange euthorities. may be affected by uncertainty. Greek mutual funds, which over meeting inflation and defihad to compete for shares with cit reduction targets. international institutions during last month's public offering

A jump in inflation, which reached 9.1 per cent in March, of 8 per cent of OTE's equity. has slowed cuts in interest were aggressive bnyers, rates on government paper. according to local brokers.

The shares' strong performance gives OTE a market capitalisation of Dr1,720bn (\$7.1bn), four times larger than the next largest Greek stock. OTE shares are expected to make up 10 per cent of the bourse index when it is revised next month. OTE forecasts a 27 per cent

increase this year in pre-tax profits to Dr259bn with sales up 17 per cent to Dr659bn. The company is expected

shortly to name an adviser on setting up a mobile telephony network using the DC1800 system. Shortlisted contenders are ... that a listing of OTE's size

CS First Boston and a group led by Alpha Finance, the Investment banking arm of Alpha Credit Bank, Greece's largest private bank. OTE is looking for an inter-

national partner to take a 20 -25 per cent equity stake in the Driothin project. OTE is only the second state corporation to be floated on

the Athens stock exchange, following the listing three years ago of 30 per cent of Hellenic Sugar, the monopoly sugar producer, which raised Dr7bn. However, investors' fears through capital increases.

hails stàrt of 'return to would swamp the Athens bourse appear to have been replaced by impatience for normal' another large public offering. The next corporation slated for flotation is DEP, the hold-

ing group for state-owned oil and gas producers. The state By Daniel Dombey in Mexico City plans to raise some Dr25bn by listing 10 per cent of the com-Banco Nacional de México pany at the end of the year. (Banamex), Mexico's largest

bank, last week hailed first-National Bank of Greece plans a Dr50bn rights issue quarter results as "the beginthis year, while plans are ning of a return to normal under way for privatising sevoperating conditions". eral stete-controlled banks The bank posted net income listed on the Athens bourse of 575m pesos (\$76m) for the

first quarter. less than the 670m pesos recorded in the fourth quarter, but comparing favourably with 442m pesos in

project.

Banamex.

the same period last year. Gropo Financiero Banamex-Accival (Banacci), the parent company, achieved operating profits of 751m pesos, against 823m pesos for the fourth quarter and 561m pesos for the first quarter of 1995. The bank said that after the

turbulence in the wake of the December 1994 devaluation of the peso, net interest margins, loan provisioning, and capital isation were resuming previ-ous levels. But Banamex is carrying out no new net lending and non-performing loans are still growing, although at a diminished rate. Analysts drew attention to

the bank's policy on loan-loss provisioning, since Bancomer, Mexico's second largest bank, took a first-quarter loss to increase past-due loan provi-sioning to 100 per cent. Banamex increased provi-

sioning by 2.70n pesos, lifting loan-loss provisions and unpegged general provisions. Reserve coverage stood at 64 per cent of past-dne loans, although it said the figure

offs were included. "We estimate that to get 100 per cent reserve coverage of past-dne loans, Banamex would bave to put an additional 1bn pesos into loan-loss provisions," said Ms Laura Berdeja, an analyst at Santander Investment Securities. "It is a choice between having no [shareholder] dilution

and profits with comparable reserve coverage of close to 80 per cent or baving 100 per cent coverage for loan-loss provisions," said Mr Luis Miguel Rodriguez, a Banamex spokes-man. "We're very happy with the course we have taken.".

# **NEWS DIGEST** Mercedes may make more cars abroad

Mercedes-Benz, the German luxury car and truck maker, could be making between 20 and 25 per cent of its cars abroad within the next 10 years compared with about 5 per cent at present, Mr Helmut Werner, chairman, said. In an interview with Der Spiegel, the German news magazine, Mr Werner said the company, which is a subsidiary of Daimler-Benz, was negotiating ebout production in China, Korea and Vietnam Meanwhile, Daimler-Benz Aerospace (Dasa), another Daimler-Benz unit, said it was negotiating with several interested parties about the sale of its Dornier Luftfahrt turbo-prop aircraft business. Dasa declined to comment on a report in Der Spiegel that Fairchild Aircraft of the US was negotiating to take over Dornier's Do328 30-seater airii.oer

Peter Norman, Bon

### Austrian Airlines in the black

Austrian Airlines (AUA) reported its first operating profit in five years at Sch64.9m (\$6.1m) for 1995 compared with a Sch192.3m loss for 1994. Group net income leaped from Sch8.9m to Sch306.4m. The figures for both years were boosted by the legally required reserves reductions. Profit from financial investments contributed Sch156m to net income, Turnover jumped 20.5 per cent from Sch11.bt to Sch13.3bn because of higher passenger volumes. But average ticket prices continued to fall, and the passenger load factor edged down from 61.4 per cent to 59.7 per cent. Unit costs dropped 14 Eric Frey, Vierza per cent.

### First-quarter fall at SSAB

Weak demand and falling prices in west European steel markets hit first-quarter profits at SSAB. Scandinavia's biggest steel producer, driving pre-tax carnings down 23 per cent in the first three months from SKr1.7bn to SKr544m (\$126m), Mr Leif Gustafsson, chief executive, expected steel consumption in western Europe to decrease during the year, reducing prices further. He said the combination of these factors with a strengthening of the Swedish krona would result in a fall in steel profit margans. Turnover In the first quarter fell from SKr4.S3bn to SKr4.77bn, with lower prices and volumes cancelling out the effect of acquisitions. Hugh Carneyy, Stockholm

### Japanese stores mixed

Damage caused by the Kobe earthquake hit parent current earnings at Daimaru, the Japanese stores group in 1995-96. Earnings fell 17 per cent to Y3.2bo (\$30m) oo sales down 2.4 per cent to Y508.5bn. Net profits totalled Y5.1bo against losses of Y8.9bn a year earlier. For the 12 months to next February, the retailer expects recurring profits to rise 40.6 per cent to Y4.5bo on a 0.3 per ceot increase in sales to Y510bn.

Takashimaya, another stores group, saw sales and profits rise following reorganisation. Unconsolidated recurring profits rose nearly four-fold to Y10.3bn while sales jumped 26.4 per cent to Y865.8bn. After-tax profits doubled to Y6.1bn. The company expects recurring profits to rise 28.5 per ceot in the current year to Y13.2bn on sales of Y1.088.3bn, up 22.9 per Emiko Terazono, Tokyo cent.

### UBS in Amsterdam UBS Securities, the trading arm of Union Bank of Switzerland,

will tomorrow become the first "remote" member to deal in equities on the Amsterdam Stock Exchange without a physical presence in the Netherlands.

George Graham, Banking Correspondent

### **Banco Santander buys 3% stake in Endesa** discreetly buying Endese

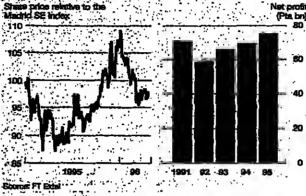
### By Tom Burns in Madrid

Banco . Santander, Spain's leading banking group, has paid Pta50bn (\$400m) to its stake because Endesa was e profitable and well managed become the biggest single pri-vate shareholder of Endesa, company with complementary investments to Santander in the dominant domestic electri-Latin America and in the telecal utility which is 66 per cent communications sector. government-owned.

Endesa raised consolidated The acquisition of the 8 per net profits nearly 13 per cent to Pta132.7bn in 1995, a year when cent stake marks a surprise departure from Santander's it spent a total of Pta32bn to traditional strategy, which has acquire an electricity distribubeen to disinvest from industor in Argentina and a generattrial assets and to concentrate ing plant in Peru. Santander's on building up its presence as a diversified and increasingly internationally-based financial institution. The development also brings

wide-ranging interests in Latin America, which include bank-ing units in Peru and Argan-tina, were underlined earlier this month when it created Chile's biggest financial insti-tution in a carefully-crafted Santander into an informal alliance with fellow domestic bank Banco Hispano Amerimerger and acquisition move. cano (BCH) which owns 1 per cent of Endesa and is due to By becoming a core share-holder of Endesa, which has the biggest weighting in the increase its stake to 3 per cent. Santander, which has been domestic stock market, San-

**Banco Santander** shares on the market over the past months, said it acquired



tander has put itself in a posi-tion to lead further disposals of state-owned stock in the ntility. A disposal is considered likely in the coming months to help the government reduce the budget deficit.

Analysis however suggested that Santander's acquisition of Endesa shares could be part of a more ambitious plan that would bring the banking group alongside an ongoing alliance between the utility and BCH. and BCH,

This alliance, which was announced last summer and has still to be fully implemented, involves significant assets swaps between Endesa and BCH and the pooling of

their industrial interests. In return for BCH's purchase of Endesa shares. Endesa has bought 5.5 per cent of Cepsa, Spain's second-ranked energy group which is controlled by BCH, and both BCH and Endesa have pooled their stakes in a number of interests, including Airtel, Spain's second mobile telephone operator

### Santander owns e 13.7 etake in Airtel, the same as BCH, and Endesa has 7.8 per cent of the cellular group. Should Santander chose to return to its role of industrial investor with a select portfolio of high-yielding assets, its path would be eased by linking into the long-term strategy of Endesa

would be higher if past write-

There will not be any practical

**EdF sidelines Sydkraft in battle for Graninge** 

By Greg Mcivor in Stockholm

changed hands on a near-daily basis, EdF said it had reached A new round in tha agreement with the Versteegh increasingly frenstic and interfamily, which owns 19 per cent, national struggle for pre-emiof Graninge, that the two nence in the newly-deregulated Nordic power market saw Elecwould in future vote together on management issues. tricité de France, the French The deal sidelined Sydkraft, which had the previous day state energy utility, effectively win a battle against Sydkraft, bought a 20 per cent share in.

Graninge, Sweden's sixth-larg-Sweden's second-largest supplier, for control of Graninge, est energy supplier. the Swedish power company. At the same time, Preussen At the end of a week in Elektra, the German power which shareholdings in several group, disclosed on Friday it Swedish power suppliers have had purchased e 124 per cent

stake in Graninge for around SKr1.2bn (\$179m). The German company, which also owns 17.4 per cent of Sydkraft, said the deal was a deepening of several years' involvement in the Swedish power sector.

Meanwhile, Imatran Voima (IVO), the state-owned Finnish energy group, increased its holding in Gullspangs Kraft, a regional Swedish power supplier, from 34 to 38.7 per cent for SKr455m. The stake gives IVO 50.1 per cent of the voting rights in Gullspangs Kraft.

The latest burst of activity follows the liberalisation of the Nordic power industry at the turn of the year, which created the world's largest deregulated electricity market.

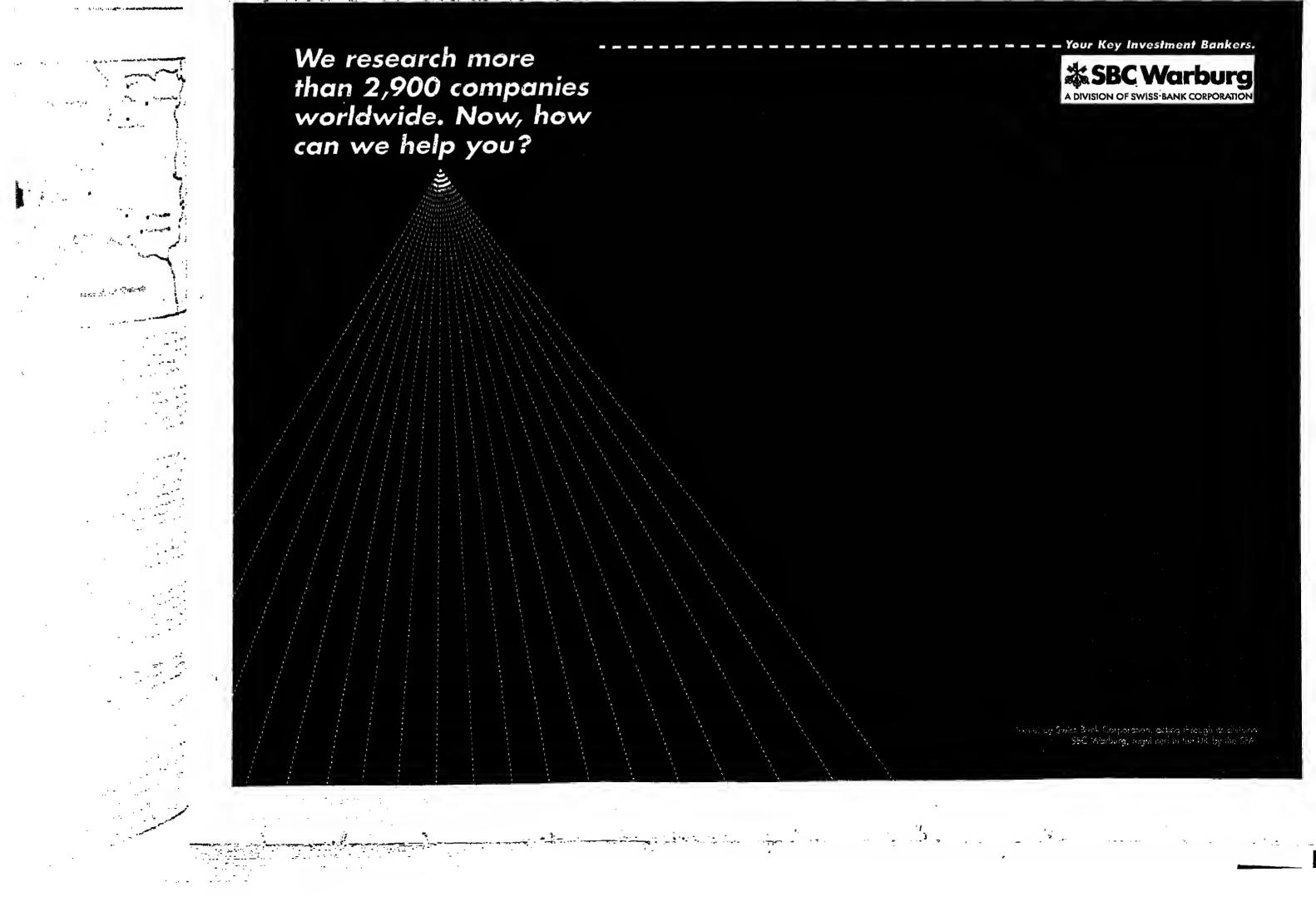
The IVO move was.seen as a direct challenge to Sweden's state-owned and biggest electricity producer, Vattenfall, which itself has moved into the Finnish market. Vattenfall responded immediately by buying a 10.7 per cent stake in Gullspangs Kraft for SKr988m. Mr Tom Allerbrand, Vattenproblems," he stated.

fall chief financial officer, said: "We want, and we intend, to play an active role in this very rapid restructuring of the Nordic market. We just can't sit on the sidelines and watch while this goes on."

# spangs Kraft chief executive, said there was space for Vat-

tenfall alongside IVO. "We have good relations with Vattenfall and moreover they will have a very limited influence.

# Mr Olof Wikström, Gull-



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### **KLEINWORT BENSON SELECT FUND** Société d'investissement à Capital Variable ared Office: 50 avenue J. F. Kennedy, L-2951 Lutr

R.C. Luserabourg @ 28.138 CLASS MEETING OF KLEINWORT BENSON SELECT FUND - BRITISH FUND

CONVENING NOTICE

As the first class meeting convened for 26th March 1996 was not quorate, a second class meeting is to be held at which those Shareholders present or represented by proxy will form a quorum.

Shareholdens of Kleinwort Benson Select Fund - British Fund are kindly Invited to attend a second class meeting of Kleinwort Benson Select Fund British Fund, to be held at the offices of Benque Générale du Luxambourg, 50 avenue J. F. Kennedy, L-2951 Luxembourg, on the 8th Mey 1996 at 3.00 pm with the following egenda:

To approve the termination of Kleinwart Benson Setect Fund - Britten Fund with effect 31st March 1996 or such other date as may be determined by the class meeting ithe "Effective Date")" and redemption of the Shares of the shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day proce the Effective Date.

Decisions shall be carried if approved by 2/3 of the shares present and/or represented at the class meeting. Shareholders may vote by proxy, which should be mailed to the Company's Transfer Agent, Benque Générale du Luxembourg, at 50 avenue J. F. Kennedy, L-29S1 Luxembourg, so as to arrive the three the Company's Transfer Agent. arrive no later than 3rd May 1998, or faxed by such date to Benque Générale du Luxembourg (3521 4242-8500.

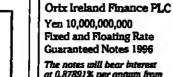
In order to participate in the class meeting the holders of bearer shares must deposit their shares at the offices of Banque Générale du Luxembourg, 50, Avenue J. F. Kennedy, L-2951 Luxembourg, by no later then S p.m. on 3rd May 1996.

The Board will suggest an Effective Date of 14th May 1996.

Every day. we help

The Board of Directors

thousands of people like **Zoe fight** cancer. Give people with cancer a fighting chance Over 90p in every £1 donated goes directly into nut vital research I would like to make a donation of £ ues payable to: Imperial Cancer Research Fund) or charge £\_\_\_\_\_ to my Access/VisJ/Amez/Diners/Chanry Card No. Expiry Date \_\_\_\_/ Signature Mr/Mes/Mas/Ms Address Postcode Please return your donation to: Imperial Cancer Research Fund FREEPOST (WC4066/3) • Research Fund FTA2 London WCZA 3BR Reparent Carry Austine 200531



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at 0.87891% per annum from 22 April 1996 to 22 July 1996. Interest payable on 22 July 1996 will amount to Yen 22,217 per Yen 10,000,000

Agent: Morgan Guaranty Trust Company JPMorgan

### SWEDBANK

Sparbanken Sverige AB) US\$150,000,000 Undated Subordinated Floating Rate Notes Notice is hereby given that the notes will bear interest at 7.33594% per annum from 22 April 1996 to 22 October 1996. Interest payable on 22 October 1996 will amount to US\$372.91 per US\$10,000 not Agent: Morgan Guaranty Trust Company

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THE

APPEAL

Nurses to help 1,000,000

# and Siemens in train venture

**GEC** Alsthom

### By Stefan Wagstyl, Industrial Editor

GEC Alsthom, the Anglo-French engineering group, and Siemens of Germany are join-ing forces to market high-speed trains in Asia and other markets outside Europe and North America. They are opening joint offices in Taipei and Beijing to co-ordinate bids for projects including the planned Beijing-Shanghai high-speed rail link. Most of the work from any contracts won by the joint offices will go to GEC Alsthom, which has already achieved commercial success in Asia, having last year won an order for South Korea's high-speed line between Seoul and Pusan. The joint marketing agreement, signed recently after more than six months of talks, could help rationalise resources in the very demanding market for high-speed trains, in which there are only three hig international competitors. These are GEC Alsthom, a joint venture between Britain's GEC and Alsthom of France; Siemens; and a Japanese consortium including Mitsubishi Heavy Industries. GEC Alsthom builds the TGV, France's flagship high-speed train; a partnership between Seimens and AEG, the engineering affiliate of Daimler Benz, is responsible for the German Inter City Express; and the Mitsubishi consortium builds Japan's bullet train. All the producers have found it difficult to sell their trains outside their home countries. GEC Alsthom has had the greatest international success,

By Vincent Boland in Prague having supplied trains to Spain as well as South Kores. GEC Alsthom said the ven-N.M. Rothschild, the UK ture would enhance the two

companies' competitiveness in

markets throughout the world,

reflect the companies' existing

relative positions in Asia and

ceded by negotiations lasting up to 10 years. However, suc-

cess brings large orders creat-

ing years of work.

other Asia countries.

South Korea

GEC Alsthom hopes further

advances in technology will

mean potential buyers may

still prefer its European-made trains to those produced in

The division of work would

particularly in Asia.

investment hank, has been selected by the government of Slovakia to advise on the initial phase of the country's flagship privatisation - that of Slovenské Telskomunikácie (Slovak Telecom), the state

COMPANIES AND FINANCE: INTERNATIONAL

telephone operator. Rothschild was chosen from a shortlist of four banks to other markets outside Europe and North America, said GEC advise on how the privatisa-Alsthom executives. In Europe and North America, the two tion should proceed and on companies plan to continue to compete with each other. what regulatory and price changes need to be made. Options include introducing a The pooling of resources is a response to the long lead times involved in high-speed train foreign strategic partner to Slovak Telecom, as the Czech contracts, which are often preand Hungarian governments have done for their state oper-ators, or selling a stake either in an international public offering or directly to institu-

The \$2.1hn order won last year by GEC Alsthom for 48 TGV trains for the Secul-Pusan tional investors. The first phase of the project is being funded by the World Bank and is expected to be completed by September 30. The government will then link will not be completed until 2002. It is already prepar-ing for possible orders for decide which option to pursue. trains for a second line from Officials have previously indi-cated that a stake of between Seoul to the south western port of Mokpo, which may not be built until after 2005. 15 and 25 per cent of Slovak Telecom will be offered for However, the chances of winming a second Korean contract will be limited by the fact that sale, possibly early next year. Bothschild's mandate does not extend to the second phase under last year's agreement the company is transferring technology to a Korean consorbut it is almost certain to win that role too. It has wide expetium of the Hynndsi, Daewoo rience in telecoms privatisaand Hanjin groups. The con-tract also allows the Korean tion and advised Hungary on the sale of Matav in 1993. Rothschild was chosen by consortium to market trains in

Slovakia ahead of Deutsche Morgan Grenfell, Union Bank of Switzerland, and J.P. Morgan, which advised the Czech government on the sale of a stake in SPT Telecom last year. The bank bas also secured a role in the task for Consilium, an investment banking joint venture it formed in 1994 with Ceskos-lovenská Obchodní Banka, the Prague-based bank partly owned by the Slovak state. The privatisation of Slovak

Telecom is part of a \$1.5bn investment and modernisation programme for the country's telecommunications infrastructure over the next five years, which was approved by the government last December. The aim is to increase the number of lines from 20.7 per 100 people currently to 85/100 by the end of the decade.

Much of the finance for the programme will be raised by the sale of the stake, the entire proceeds of which will go to Slovak Telecom, officials said.



Strike at GM hits **Hughes Electronics** 

FINANCIAL TIMES MONDAY APRIL 22 1996

The 17-day strike at General Motors resulted in a cear-10 per cent fall in operating earnings at Hughes Electronics, its electronics and aerospace subsidiary, to \$385m in the first three months of this year. The strike is also likely to cause a sharp declifte in earnings for the parent group, which are released today.

Revenues in Hughes's automotive electronics business fell Revenues in hognes's automotive electronics dusiness fell 15 per cent to \$1.8bn and operating profit by 37 per cent to \$159m. Meanwhile, the growth of DirecTV, its satellite television venture, and higher satellite transponder sales, led to a 45 per cent rise in revenues from telecommunications and space businesses, to \$336m. Operating profit climbed by \$45m to \$75m. Following a \$72m gain on the sale of a stake in DirecTV, Hughes reported a 16 per cent rise in overall net income to \$312m, or 78 cents a share.

Richard Waters, New York

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### Westinghouse makes provisions

Westinghouse Electric, the US industrial conglomerate in the Westinghouse Electric, the US mausural congenerate in the threes of transforming itself into a media group, announced further steps aimed at putting past troubles behind it, resulting in after-tax charges of \$513m. The charge, half of which is due to accounting and other non-cash moves, will still leave Westinghouse with a net gain of \$530m to shareholders' funds for the first quarter of this year, because of the sale of its defence electronics business and the Knoll

furniture company. The actions announced on Friday include a plan to sell its environmental services business, which the company predicted would bring cash proceeds of \$300m-\$500m; a reserve to cover some old litigation issues; and three accounting changes, which between them will cause \$188m of the after-tax charge. Richard Waters

### **Restructuring limits Kellogg**

Kellogg, the US breakfast cereal company facing the threat of a price war in its domestic market, reported a S per cent increase in net profits to \$206.1m in the first quarter. The company said the increase would have been 11 per cent without the continuing costs of a restructuring announced last year. Last week, Philip Morris's Post cereal subsidiary slashed prices by 20 per cent in a bid to boost market share. Kellogg has not so far responded. It has been suffering an increasing encroachment into its market by cut-price, private label cereal products. Kellogg said revenues rose 4 per cent in the latest quarter to \$1.79hn and global volume also rose 4 per cent. Earnings per share were up from 89 cents to 96 cents.

Richard Tomkins, New York

### MIM in Highlands Gold offer

MIM, the Queensland-based mining group, is offering to sell its 65 per cent stake in Highlands Gold, the listed gold mining and exploration company, to existing MIM shareholders at 65 cents a share. The sale would raise around A\$238m for MIM and give it a net profit of around A\$168m on the holding. MIM shareholders will be offered one Highlands share for

every five MIM shares they hold. Those who do not wish to take up the offer will be able to sell their rights on the market The offer is fully underwritten by ANZ McCaughan. Shares in both companies had been suspended on Thursday, ahead of Friday's announcement. After the announcement, Highlands shares closed five cents lower at 69 cents, only four cents above the offer price. MIM closed four cents higher at A\$1.52. The sale came as no surprise to analysts, MIM has been steadily winding back its "non-core" and investment interests, and there has been growing speculation that the Highlands stake could be the next to go. Mr Nick Stump, MIM chief executive, said the sale would provide extra funds for new projects, but would also allow MJM shareholders to "gain

value out of MIM's investment in Highlands". Nevertheless, independent directors of Highlands said the sale plan had been devised independently and without reference to the Highlands board. Nikki Tait, Sydney

### A N NUAL RESULTS 1995 CIC Union Européenne de CIC

The Board of Directors of Union Européenne de CIC met on April 16, 1996 under the Chairmanship of Bernard Yoncourt to review the CIC Group's consolidated financial statements for 1995.

management.

### CIC GROUP INCOME

Group net income (excluding minority interests) advanced 36.8% over the previous year to FRF 625 million. Both business volumes and gross operating profit continued to grow in

**CIC CONFIRMS ITS COMMERCIAL DRIVE** 

625 MF (36,8%)

GROUP OUTLOOK

roots and decentralized

organization. It continued to

control systems essential to

successfully managed growth,

more competitive and serve its

customers even more effectively.

enhance the policy-making and

as well as modernizing its logistics

in order to render its network ever

Loans outstanding grew in the first quarter of 1996, while on the

deposits side substantial volumes

to longer-term savings products,

life insurance in particular. In the

light of these eocouraging trends,

the Group expects to register

businesses in 1996, and financial performance should move closer to

markel norms. Progress on all these

fronts will be the Group's stronges1

arguments in asserting its identity

and operating methods, as il

prepares to broaden its

shareownership.

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further gains in its various

have been switched from short-term

As called for in its development

plan. the CIC Group displayed even

Il resolutely exploited the streogths

greater commercial drive in 1995.

that come from its deep regional

CIC GROUP

EARNINGS RISE

**AGAIN IN 1995** 

GROUP NET

INCOME :

With total loans outstanding up 7%, at FRF 232 billion, the Group's activities grew satisfactorily in 1995, despite slack business conditions. This positive trend was visible in all target markets, but especially so in long-term lending: equipment financing for professional and corporate clients of regional banks rose 9.3%, and home loans to individual customers increased by 7.5%. Customer deposits increased 11.9% to FRF 206 billion, resulting from strong growth in demand deposits at year-end (up 12.5%), and a 17.1%

### TIGHTENS OPERATING COST CONTROLS

A 352 person reduction in the work force, and no change in other expense

items, left operating costs at exactly the same level as last year (FRF 12.9 billion).

1995. Key factors behind this growth

were the network's greater responsive-

ness to market changes (thanks to the

structure of the Group), and strong risk

rise in special term savings accounts.

Sales of life insurance products

enjoyed robust growth, with SOCAPI

increasing its funds under management

bealtby growth in bank charges

generated through the branch network

(11%) offset reduced fees in last year's

sluggish financial markets (-12%).

Although margins shrank yet again, net

banking income was up 1.5% relative

to the previous year, to FRF 16.6 billion.

Fee income improved by 5%, as

by 23.4% to FRF 44.2 billion.

### BOOSTS GROSS OPERATING INCOME

Gross operating income rose 6.6% to FRF 3.7 billion.

### MONITORS RISK EXPOSURE CAREFULLY

The Group kept a close watch on its real estate risks, raising their provisioning ratio to 62%. Satisfactory risk management and a judicious

spread of other risks helped to reduce total allocations to provisions by 1.6% to FRF 2,428 million, bringing total coverage of doubtful debts to 59%.

charge was down 51% as a result of

tax-consolidation of Group subsidiaries.

Group net income (excluding minority

shareholders) totaled FRF 625 million.

### **REGISTERS SIGNIFICANTLY INCREASED INCOME**

Income from ordinary operations, before tax, increased for the fourth consecutive year. rising 7.5% relative to 1994, to FRF 1,009 million. The tax

in FRF million 1995 1994 1995 1995/1994 CHANGE Net banking income 16,788 16.319 16,561 1.5% **Operating expenses** 12,752 12,885 12,896 0.1% Gross operating income 4.056 5,434 5,665 6.8% **Operating provisions** (-5,467) (-2,468)(-2, 428)-1.6% Group net income (excluding minority interests) 580 457 625 56.8%

### UNION EUROPÉENNE DE CIC PARENT COMPANY INCOME

The Board of Directors approved the parent company financial statements of Union Européenne de CIC, the Group's lead hank and investment bank, for 1995. These show a profit of FRF 135 million.

The Board of Directors decided to propose to the forthcoming Ordinary Shareholders' Meeting, convened for May 29, 1996, to declare a net dividend of } FRF 5,40 per share, and of FRF 9 on each preferred non-voting (or D) share.

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**CIC** Union Européenne de CIC

COMPAGNIE FINANCIÈRE DE CIC ET DE L'UNION EUROPÉENNE Banque régie par la loi du 24 janvier 1984 4, rue Gaillon 75107 Paris Cedex 02 - TéL : (1) 42 66 70 00

### The shareholders of SANDVIK AKTIEBOLAG

are hereby called to the Annual General Meeting of the Company to be held on Friday, May 10, 1996, at 2:00 p.m. at Jernvallen, Sandviken, Sweden,

### NOTIFICATION

Sharcholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, S-811 \$1 Sandviken, or by telephone, +46 (0)26-26 10 \$1 or telefax, +46 (0)26-26 10 \$6. Such notification must be received by Sandvik AB not later than 3:00 p.m. Monday, 6 May 1996. To be eligible to participate 3300 pm. Monthy, 6 May 1996. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Värdenapperscenarilen VPC AB (Swedish Securities Register Centre) as of Tuesday, 30 April 1996. Shareholders whose shares are registered the shares in their own name not have temporarily re-registered the shares in their own name not later than 30 April 1996.

### AGENDA

1. Matters which, in accordance with the Swedish Matters which, in accordance with the Swedish Companies Act and the Articles of Association of the Company, must be considered at an Annual General Meeting, including: presentation of the An-nual Report and Auditors' Report, adoption of the Parent Company's Income Statement and Balance Sheet and the company's mappropriated profits as shown in the Balance Sheet adopted by the Meet-ing, approval of fees to be paid to the Board of ing, approval of fees to be paid to the Board of Directors and auditors, and the election of Board embers and militors.

2. Change in §6 of the Anticles of Association whereby c. Campte in 90 of the Articles of Association whereby new regulations introduced into the Swedish Com-paries Act have increased the responsibility of publicly listed companies to regulate in their Articles of Association preferential rights pertaining to increases in share capital. The Board of Directors has proposed that §6 shall now read as follows:

"The Company's shares may be issued in three series, Series A shares, Series 3 shares and Series C shares. Series A shares shall be entitled to one you each: Series B and Series C shares shall be entitled to onetenth of a vote each. Series C shares are not excluded to

"If the Company decides to issue new Series A, B or C ahares through a cash inste, owners of Series A, Series B and Series C shares shall have preferential rights to the ubscription of new shares of the same type in relation to the number of shares already oward (primary preferencial right). Shares not subscribed to on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number, of shares offered in this manner is impedicion for escription based on subsidiary preferencial rights, the shares shall be distributed in relation to the number of shares already held and, to the extent that this is not possible, by lottery.

"If the Company decides to issue new shares of only one or two of the various share series, all shareholders. intespective of which shares series they own, shall have preferencial rights to the subscription of new shares in dation to the number of shares shready held,

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The aforementioned stipulation shall not constitute any infringement on the possibility to make a decision regarding a cash issue in which the preferencial rights of sholders are waived.

In the event of an increase in share capital through ( boous issue, new shares of each series shall be issued in relation to the number of shares of the same series already hold. In such cases, shares of a specific series information of the possibility, following the requisite amendment in the Articles of Association, to issue shares of a new series through a bonus issue.

"Effective I September 1996, Series C shares shall be converted to Series & shares without any specific formal action.

-"Series A shares may be issued in a maximum amount of SEK 3,270 million, Series B shares in a maximum amount of SEK 2,170 million and Series C shares in a maximum amount of SEK 30 million."

### DIVIDEND

Dividentian of the Annual General Meeting with respect to the dividend shall specify the date on which the share register maintained by VPC (Swedish Securities Register Centre) and the related list of assignees, etc. are to be closed. The Board of Directors proposes Wednesday, 15 May 1996 as the record date for payment of the dividend. If the Meeting approves this proposal, it is estimated that dividend payments will be mailed on Thursday, 23 May 1996 to persons recorded in the share register and related list.

PROPOSAL TO THE GENERAL MEETING Through the Chairman of the Sound of Directors, she holders representing 56% of the votes in Sandvik AB have presented the following proposal regarding election of the Board of Directors and andirors:

Members of the Board: Rune Andersson, Percy Barnevik, Per-Olof Eriksson, Clas Åke Hedström, Lars-Ove Häkansson, Manrikz Sahlin and Sven Ågrup.

Deputy member: Lars Ivar Hising

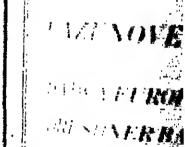
Auditors: Authorised Public Accountant Lars Synotemark, Authorised Public Accountant Bemhard Öhm

Deputy Auditors: Authorised Public Accountant Peter farkborn, Anthorised Public Accountant Ake Nilsman.

Sandviken, April 1996

SANDVIK AKTIEBOLAG; (publ) The Board of Dimenter

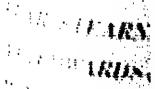


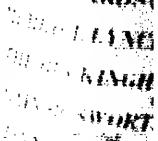


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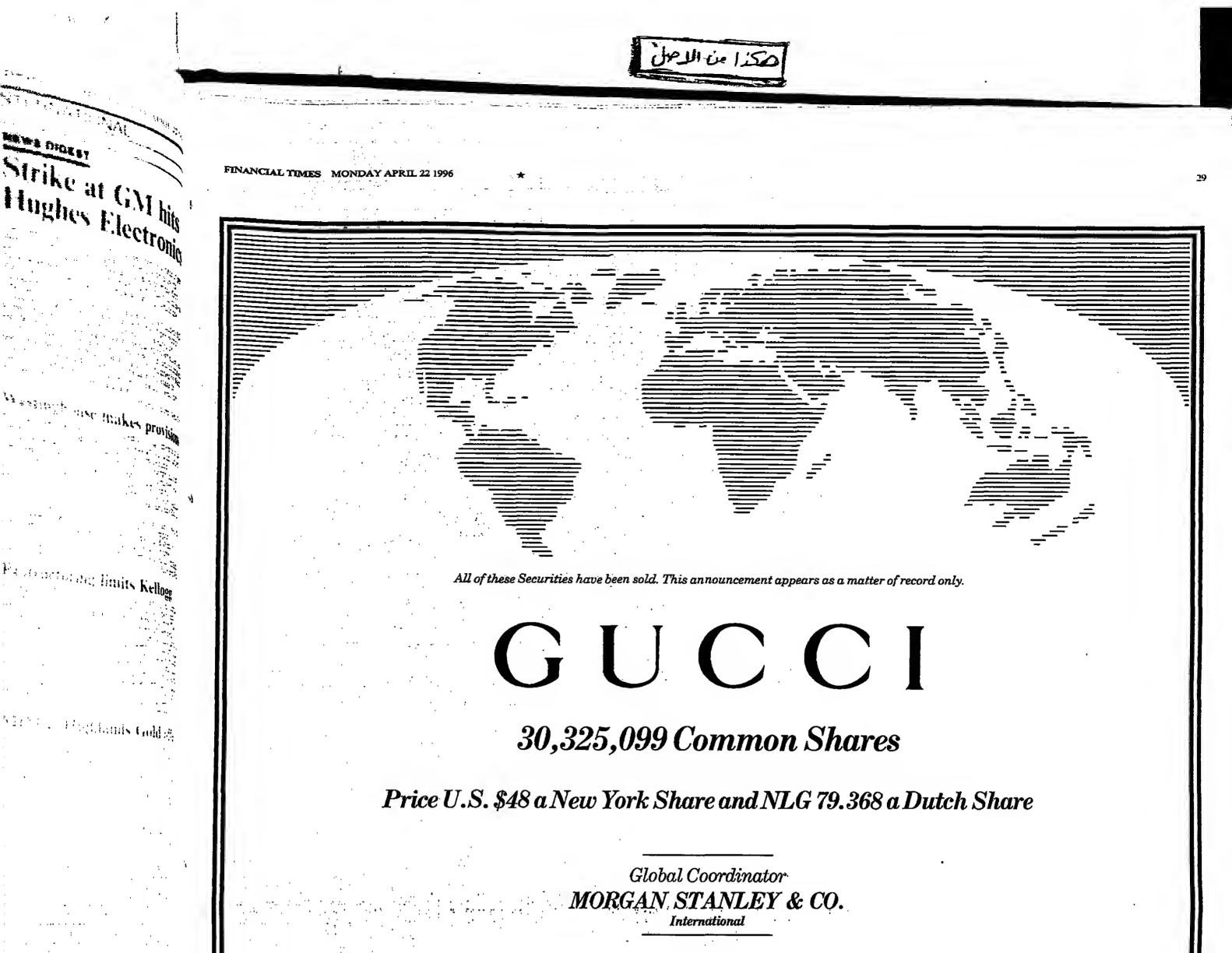
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M. B. STANK



KAKTILBOLAG

# 13,669,268 Common Shares

This portion of the offering has been sold outside the United States and Canada by the undersigned.

MORGAN STANLEY & CO. International

CAZENOVE & CO.

DAIWA EUROPE LIMITED DRESDNER BANK-KLEINWORT BENSON INDOSUEZ CAPITAL

### SALOMON BROTHERS INTERNATIONAL LIMITED

DEUTSCHE MORGAN GRENFELL ROBERT FLEMING & CO. LIMITED SOCIETE GENERALE

CS FIRST BOSTON

# 16,655,831 Common Shares

This portion of the offering has been sold in the United States and Canada by the undersigned.

MORGAN STANLEY & CO. Incorporated CS FIRST BOSTON

### SALOMON BROTHERS INC

BEAR, STEARNS & CO. INC.	DEA	N WITTER REYNOLDS	INC.	DONALDSO	N, LUFKIN & . Securities Corporation	JENRETTE
A.G. EDWARDS & SONS, INC.		GOLDMAN, SACH	S & CO.			BROTHERS
MERRILL LYNCH & CO.	<b>OPPENHE</b>	TIMER & CO., INC.	PAINEWI Incorpo		SMITH BA	RNEY INC.
THE BUCKINGHAM RESEARCH	HGROUP	FURMAN SEL			. BERNSTEIN	& CO., INC.
DAIN BOSWORTH Incorporated	EVEREN	SECURITIES, INC.		FIRST OF M	ICHIGAN COR	PORATION
JANNEY MONTGOMERY SCOTT	"INC.	LEGG MASON WO Incorpora			McDONALD & Securities	COMPANY
PIPER JAFFRAY INC.	RAUSCHER	PIERCE REFSNES, INC		AYMOND JAM	ES&ASSOCI	ATES, INC.
THE ROBINSON-HUMPHREY C	OMPANY, INC.			WHEAT F	FIRST BUTCH	ER SINGER
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March 1996

### **FINANCE**

### Collins swaps Mumm for Whitbread

30

Never underestimate the call of the sea, writes Richard Tomkins. After 25 years at the US mutual fund group T. Rowe Price - the last 12 of them as president and chief executive - George Collins, 55, is quitting to indulge his passion for sailing. In spring next year, Collins will be leaving the competitive world of investment management to take on a different challenge: skippering a boat in the Whitbread round-the-world yacht race, one of the most gruelling events in ocean racing.

Collins has been sailing since he was 18 and bought his first boat at 32. Conveniently, T. Rowe Price is based in Baltimore on the shores of Chesapeake Bay, giving him easy access to the Mumm 30 he races. For the big event, he is having a Whitbread 60 built to a Bruce Farr design. Collins is used to challenges, having

turned T. Rowe Price into one of the biggest and best-performing mutual fund companies in the US. And as Collins says, skippering a boat is not that different from running a company. "Chief executive officers are used to leading, setting an example, creating a vision and creating a culture. Skippers do all that." But Collins is not planning to sail off into the sunset for good. He is starting to think about what to do when he gets back. "I am not going to vegetate," he says. "But I do know that I don't want to work 80-hour weeks any more."

### Peter lane turns Red Adair

Peter Lane, marketing director at Lloyd's of London, is turning into the insurance market's Red Adair, writes Ralph Atkins. For the past six weeks he has taken the additional title of managing director North America and, living mostly out of suitcases, has been fighting a series of legal fires started by US securities

regulators which threaten to undermine the insurance market's recovery plan. The most important court case - in California - is due to be heard in the next two weeks. Elsewhere, Mr Lane has managed to negotiate "standstill" agreements, allowing Lloyd's time - in his words - to "educate" local regulators about how Lloyd's works. But California poses a big headache for Lloyd's because state securities regulators are trying to freeze at least part of \$10bn held in trust

to support US underwriting. If this seems an unusual role for a marketing manager, it is only half the story. Since joining Lloyd's two years ago from Shell International Petroleum, Mr Lane has also been given responsibility for overhauling Lloyd's Aviation – the loss-adjusting subsidiary left behind when the insurance market sold its publishing operations, including the Lloyd's List newspaper, last year. He is also, bizarrely, Lloyd's official representative in Belgium. In between, Mr Lane has taken responsibility for organising countles client "reassurance" briefings, aimed at countering the hostile press coverage Lloyd's receives about its financial security. Aged 50, he has a reputation as an exceptionally self-confident, aggressive manager also blessed with a fair measure of charm. He argues there is a logic to his various roles which come under the umbrella of developing Lloyd's internationally. Moreover, he adds, "I was one of the few people in the centre with significant external business experience. Tacking Lloyd's US difficulties takes much more than hard work and a commercial mind, however. It also requires diplomacy in dealing with politicised regulators - and hundreds of embittered, lossmaking US Names, individuals whose assets heve traditionally supported Lloyd's. Mr Lane is not afraid to wield sticks. He is particularly annoyed because California's securities regulators have stopped Lloyd's communicating with local Names about its recovery plan: "This is America - where freedom of speech, and freedom of information are supposed to be

important. It is outrageous." Mr Lane is confident the problems can

be sorted out before the summer, when

FACES



Peter Lane: the marketing director at Lloyd's has been fighting a series of legal fires started by US securities regulators

Lloyd'e recovery plan is due to be implemented. But as one of his colleagues remarks: "He bas an exceptionally high opinion of himself. Whether that is justified, only time will tell."

### Chelsea fan far from blue

Celebrations are in order at BZW, the investment banking arm of Barclays Bank, which last week topped Euromoney's league table of euromarket loan arrangers for the first time in three years, writes Antonia Sharpe. Ironically, the man who made it happen, Tim Ritchie, was on business in

the US and was only made aware of the achievement by a flurry of phone calls from excited colleagues in London. The loan which propelled BZW to the top - a \$2.35bn credit facility for Railtrack, the British rail network which is about to be privatised - is the latest example of how Ritchie is realising BZW's ambition, in the words of Graham Pimlott, chief executive of merchant banking, "to raise capital for key clients around the world". Other high-profile deals in which BZW has been involved since Ritchie, 40, became the London-based head of syndications and loan distribution in late

1994, includa the £2.5bn facility which bankrolled Granada's takeover of Forte.

Ritchie, who joined Barclays in 1978 as one of its first graduate recruits, was sent to New York in 1981 where, over the next 13 years, ha developed a reputation as a keen but perceptive loans syndicator. Ritchie's long sojourn in the US, a country he now regards as his second home, has conditioned both his professional and personal life.

His success in establishing Barclays as one of the leading foreign banks in the competitive US loans market made him the obvious choice when it sought a "strategic brain" to pull its loan distribution activities together on a global basis, and to manage the sensitive cultural task of transferring the department from the commercial bank to

the investment bank. Married to an American, Ritchie speaks with a slight American twang and although he is still loyal to Chelsen, the London football club, he has become a staunch supporter of the New England Patriots football team and baseball's Boston Red Sox.

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### Chinese

whispers

Anthony Neoh has the calm, exquisite manners of an Anita Brookner character, but the man who will lead Hong Kong's top securities watchdog through the transition is no soft touch when it comes to regulation, writes Louise Lacas. Last week he announced plans to

tighten regulations as part of a bigger move to consolidate and rationalise existing securities legislation. Key among those proposals is a move to bring some banks which engage in securities trading into the orbit of the Securities and Futures Commission (SFC), which he chairs. Some banks object that this may be unnecessarily cumbersome.

Mr Neoh is no stranger to controversy Earlier this year his endeavours to build up the international reputs and scope of the Hong Kong stock exchange triggered a row between the two regulators. Accusations of the SFC over-stepping its role, a not uncommon charge, were again aired

There had been hopes that Mr Neoh's previous ties to the stock exchange might have helped heal a long standing rift between the two bodies: it was Mr Neoh who applied his legal mind to what was arguably one of the exchange's most brilliant (and complex) coups; arranging for Chinese enterprises to raise cash on the Hong Kong market. Since the rule book was written in 1993, these companies have raised soms HK\$20bn in Hong Kong. Whispers that Mr Neoh may have a political career ahead of him after China resumes sovereignty in July 1997 have all but disappeared, to the regret of some. The idea was probably a non-starter: although well-connected in Beljing and Hong Kong, he has steadfastly refused to become a China adviser.

# **Axe comes out for investment advisers**

Maggie Urry in New York reports on a trend among pension funds in the US

The State of Connecticnt according to figures from ment research firm. astounded the US pension fund industry earlier this year by sacking nearly all of the 47 , res investment management companies between which its \$12.6bn pension fund was divided. Almost as shocking as more and more specialised managers to handle different the dismissals was the number

asset classes. There was a com-mon view - encouraged perof fund managers the state had accumulated. haps by pension fund consul-Although a dramatic - and tants, whose bread-and-butter highly political - example, work is advising on hiring Connecticut's action is part of a more widespread trend in the US to reduce the number of managers employed by pension

managers - that a greater focus on smaller segments would improve investment returns. As the universe of potential m

approach.

being hired to run portfolios

with investment styles as

detailed as, say, a small-capi-

talisation US equity fund with

an actively managed, value

Even a modestly sized pen-

earch firm.

Greenwich Associates, the The problem came when plan sponsors discovered that investment management this specialisation did not It reverses a fashion of the bring the superior returns that they had expected. "The net 1980s, when funds appointed



benefit from specialisation is hard to point to," says Ms Patricia Dunn, joint chief execu-

for the plan sponsors. Ms Gloria Reeg, head of consulting at Frank Russell, says sponsors had to ask themselves "how can I deploy active managers successfully, and how many managers can I manage?" As companies cut head office

staffs, sponsors found it increasingly difficult to cope. They had insufficient time to understand some of the complex investments specialised managers were making, and could be swamped by quarterly review meetings and the need to fire and hire managers.

of that. Ms Dunn

On top

plan sponsor is much more in the driver's seat now than he or she was at the height of the manager specialisation craze or before in the balanced manager era". The poor results were writ

large in the case of Connecti-cut's pension fund. Mr Christopher Burnham, who became state Treasurer in January 1995, says the fund was consistently one of the bottom 5 per cent of all US large public pension funds. Had its money simply been put in an index fund in 1986, the fund would be

Even among these there has been some proliferation; Mr Burnham says. "We hired five active, small-cap, domestic equity managers and two small-cap index managers," he says, "If the five fall to outperform the index I will can them" he adds. Thumping his tab he continues, "they have a three-year time horizon. Five years would be more appropriate but I'm np for re-election in three'

It is too early to see any performance benefits from Connecticut's purge. But, Mr Burnham claims, the state will save

Awarage number used by funds over \$1 km 15-10 .: 5 -1993 94 95 .

investment managers used by funds in US.

rungs ui sponsors. corporate or public. This trend has important

implications for the performance of funds, the fees they pay and for the investment management firms themselves. It is particularly marked among the largest pension funds: corporate funds of over \$1bn had an average of 17.2

sion plan could find itself with managers in 1995, down from more than 10 different manag-19.3 in 1993, while public funds ers, says Mr John Webster, of \$1bn or more cut back from partner at Greenwich Associ-21.5 in 1993 to 17.9 in 1995, ates, the investment manage-

grew, it was sliced tive at BZW Barclays and diced into smaller por-Investors. tions, until managers were

She says that plan sponsors discovered that with every extra manager appointed, the chances of outperforming the market actually diminished, even before fees were taken into account. The different managers were often in effect cancelling each other out, mak-ing the total fund look more like an index fund.

Further, the rising number of managers made life harder

says, the implication of the specialisation of managers was that the most important decistate. sion of all - asset allocation fell to the plan sponsor. But they could not manage their funds' exposures when they had dozens of managers. By cutting down the number of managers, and developing a stronger relationship with those that remain . a trend Greenwich Associates has observed · Ms Dunn says "the

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worth \$2.3bn more today than it is, equivalent to a year's income tax receipts for the

The State employed 54 people to manage the managers. That number has been cut to 14. And of the 47 managers in place at the start of 1995, only two were retained with their existing mandates. Four firms were re-hired to manage different portfolios, and 16 new firms were brought in, to give a total of 22.

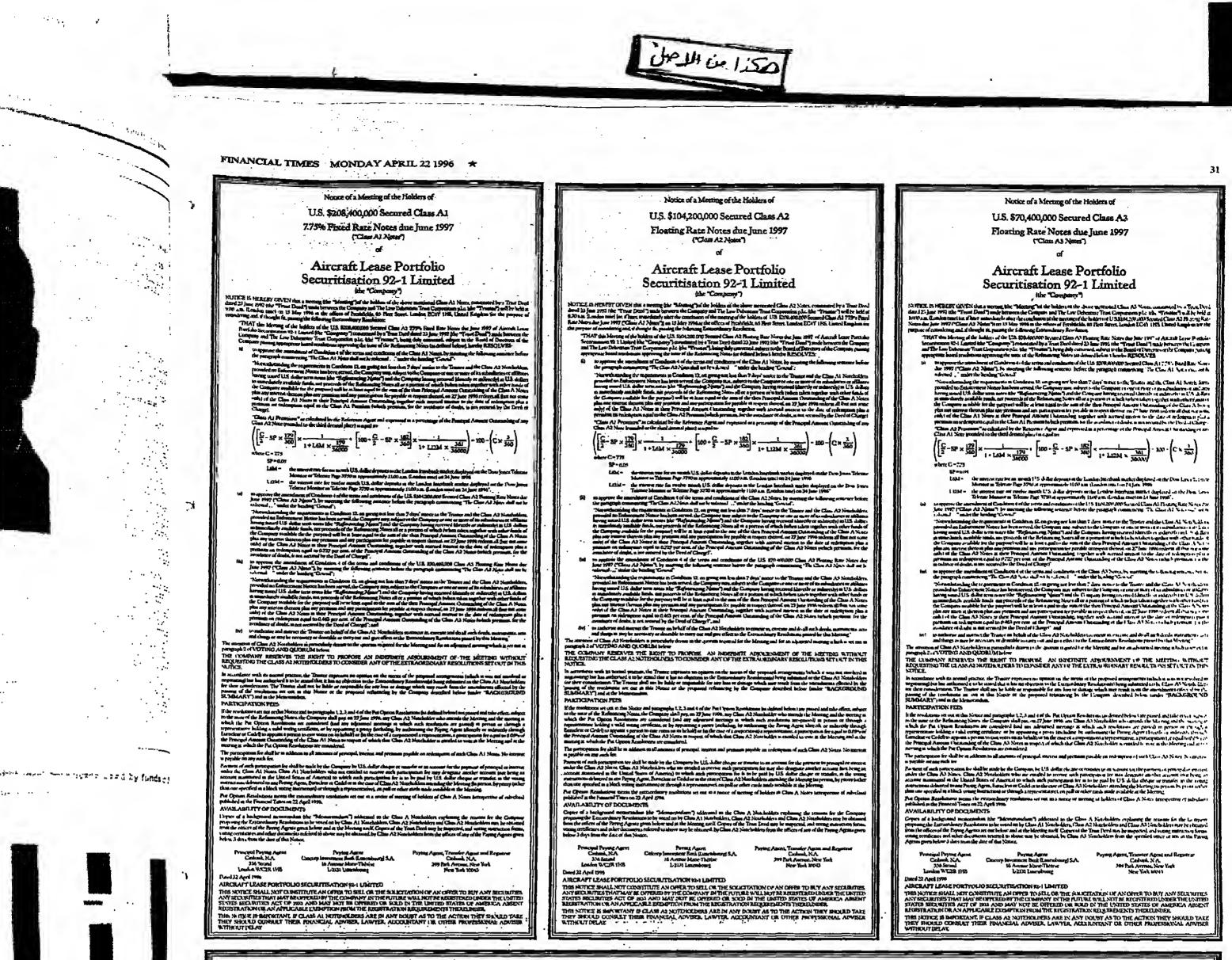
\$11.5m a year, largely in fees, which will in future be performance related. Even now. though, he says "Ford Motor" Company has over twice our assets, half our managers and they do it with three people". A feature of the trend to cut down on fund managers is a switch from active to passive or indexed management - as can be seen in the teams Con-necticut has hired. If the active managers are failing to outperunder 10.

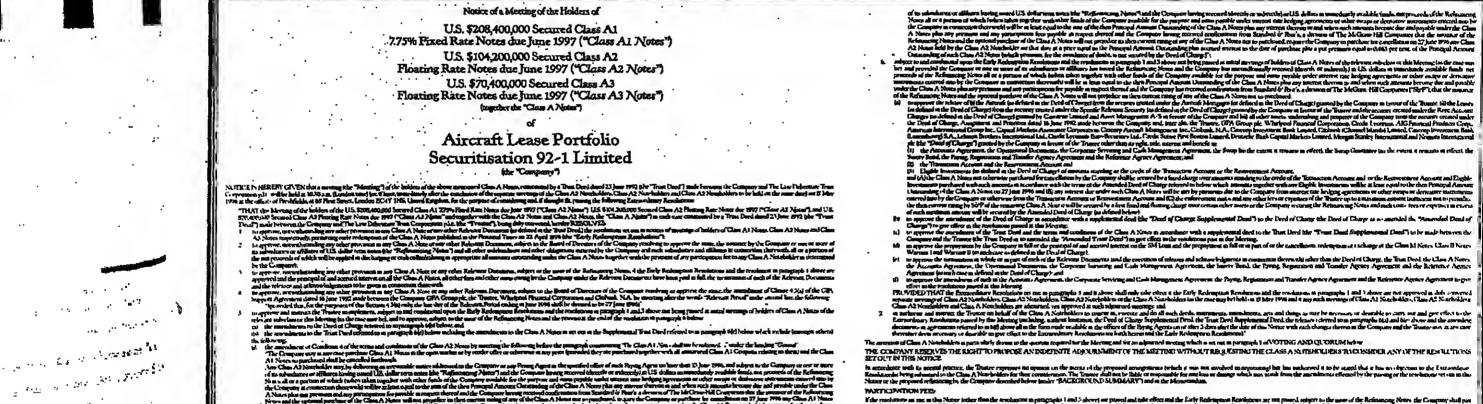
form the index, the thinking goes, plan sponsors may as well hire passive managers. That helps improve returns further by reducing transaction costs and cutting fees. A large fund might pay an active equity manager 30 basis points a year but a passive manager less than 2 basis points. A smaller fund could cut its fees from 40 or 50 basis points to

As plan sponsors reduce the number of managers they employ, what will happen to the investment management firms? The answer must be that they will diminish in number, perhaps through mergers of specialist managers into groupings which can offer a range of asset classes. As Ms Dunn says, "there will always be a place for managers who perform consistently".

	1995 (	dividenc	1		Annual General Meeting	Shareholders unable to		Overseas N.V.
		1995	1994	Increase in %	will be held in the Auditory, InfoRame/Rica Hotel Oslofjord,	attend may vote by giving written power of attorney to a	Seri	es Nº 3
Gross dividend p	er share (BEF) are after deduction of withholding tax	112	011	12 %	Sandviksveien 184, Sandvika (Oelo), Norway at 17.00 p.m. on	proxy. If no other proxy is desired, one of the following	– Hong K	e del Lavoro S.p.A.
* ordinary share	(BEF) with "VVPR strip" coupons	84	74.25	13.1 %	Tuesday 7 May 1996. Agenda: 1. Review of operations.	may be listed: Mr. Torbjørn Haug, chairman of the corporate assembly, Mr. Wilhelm Wilhelmeen, chairman	Depositary Re	ordinated Floating Rat ceipts due 1999
Number of share		\$7,565,225	35.395.704		2. Approvel of the statement of income and balance enset	of the board of directors, Mr. Leif Frode Onarheim, deputy	In accordance with the terms of (the "Receipts") described in ti July 15, 1994, notice is hereby	
which was taken by Key dates :	-	996, will be annot	nced on 28 May I		Approval of income state- ment and belance sheet for the group. 3. Determination of the remuneration of the corporate assembly and auditor. 4. Election of members and	If the Annual General Meeting approves the proposed dividend, the shares will be quoted excl. dividend from Wednesday 8 May 1996. Dividend will be forwarded on 30 May 1996 directly to those listed as shareholders in	Date, July 22, 1996 will be US Receipt of US\$ 900, US\$ 118J per Receipt of US\$ 8,000 and US\$ 1,188.06 per Receipt of US\$ 80,000.	The Calculate Agent Krectiedba
6 jane 1996 18 june 1996 27 june 1996	General Meeting of Shareholders : de Determination of the issue price for th Opening of the subscription period Ex coupon quotation Closing of the subscription period Payment of the subscriptions Cash payment of the coupons No. S w	ic new shares		t to new shares	deputies of the corporate assembly. 5. Modification of article 1 of the Articles of Association: "The name of the company is Sega Petroleum ASA". Shareholders who wish to attend or be represented by a proxy at the annual genetal meeting, should notify	the share register on 7 May, or to those who according to the share register have been given a right by the holder to receive dividend. The share-holders are therefore asked to report share transactions, change of address, etc. as soon as possible to the bank? stockbroker with whom they have their securities account.	US\$ 100,000,000 FLOATING RATE In accordance with the provisions of the 1 interest period from 22 April 1998 to 22 O of 5.5% per anoma. The interest payable on the relevant inter- symmat compon to 7 will be US\$279.58 per US\$ 100,000 note.	ING CORPORATION SUBORDINATED NOTES DUE 2003 Intes, notice is hereby given that fo integration of the Notes carry an integration of payment date. 21 October 1996 USS 10,000 note and USS2795.81 p
Details of the array	Additional information Krediticasen, When dividend will be paid is of the arrangements will be published in the prospectus, which will be available as from 3 june 1996. Krediticaseen, Verdipapinservice, P.O. Box to non-Norwegian 1166 Sentrum, N-0107 Oelo, etareholders, Norwegian tax Norwey (talefast +47 22.42.71 will be deducted in accordance Sect talenabase					APPOINTMENTS	BANQUE NATIO DE PARIS USD 225, 606, 609	
Brunch, 19 April 1	995.		On behalf o	of the Board of Directors	+47 22 48 69 32 or +47 22 48 47 31) as soon as possible and		ADVERTISING	Suberdinated Floating Notes due 2002
Boulevard E. Jacqu 1000 Brussels	 min 53		1	1/store	not later than 15.00 p.m. on Friday, 3 May.		appears in the UK edition every Wednesday & Thursday and in the International	Notice is hereby given that t Interest for the period from A 1996 to October 21st, 1996 fixed at 5.4375 per cent. pi The coupon amounts due for are USD 22 or cent.
Belgium Trade Register No.	1811		Chairme	M. Lippens m - Managing Director	Sandvika, 7 March 1998 Torbjern Haug Chairman, corporate assembly	Saga Petroleum	edition every Friday. For further information please contact: Toby Finden-Crofis +44 0171 873 3456	are USD 27.49 per denom USD 1000, USD 274.90 per Ination of USD 10.000 a 2,749.96 per denomination 100,000 and are poyable on th payment date October 21st, 15 BIND The Focal Agent Except Extingue Extingues (Litzenbeurg) S.

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### BACKGROUND, VOTING AND QUORUM

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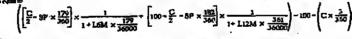
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and in the Company or any Parse Agent in the specific office of our h Paying Agent in Secretion 13 June 1996, and subject to the Co CTING IN 117

Notice of a Meeting of the Holders of



# The no-win deal facing equities



ket has yet to get the mesin the past three months 10 the long bond yield has risen from a low of 6 per cent to 6.8 per cent. The equity yield has neanwhile fallen elightly, from alth 2.3 per cent to 2.2 per cent on the FT World index. Historically, as the chart same.

inflation - and

seems to be -

the equity mar-

shows, the equity market has proved acntely sensitive to inflation. The yield has risen and fallen with the consumer price index, and the earnings multiple vice versa. Suppose the bond market is now right to worry about inflation. Must equities again follow suit?

**COMPANY RESULTS DUE** 

### Strike across the US likely to affect **GM** figures

■ General Motors: The US carmaker is expected to report sharply lower first quarter earnings, almost 70 per cent below initial estimates. because of the 17-day strike at two plants that closed down GM's entire North American operations during March. GM is expected to report today that earnings per share fell to 85 cents from \$2.51 a year ago. The carmaker is understood to have told analysts privately it from Philips' sale in March of estimates the strike would cut some 6.5m shares of ASM \$900m from net income in the Lithography Holding, which quarter, the equivalent of reduced its stake to about 35 about \$1.20 a share. GM is per cent from 57 per cent. believed to have lost production of about 240,000 vehicles profit from ordinary activities

It is worth considering why prices of plant and equipment inflation should affect equities at all. Much of the CPI consists are out of pocket. of prices charged by corpora-

tions. Suppose they raise their prices 10 per cent but hold their profit margins and dividend pay-outs steady. In that case, their dividends will rise per cent as well. To that extent, equities offer a real yield, as opposed to the nominal vield on bonds. So ugh bond yields will rise with inflation, equity yields should theoretically stay the

There are several reasons why they do not. The first relates to the quality of earnin a time of stable prices, the tax allowances for depreciation

are broadly the same as real replacement spending on plant and equipment. But when

during the strike, and did not

have time to make this np

before the end of the quarter.

While GM has raised its sec-

ond quarter production esti-

mates by about 71,000 to 1.4m

vehicles, analysts say it is

unlikely to recoup all the lost

production because of overtime

costs and adequate levels of

Philips: The Dutch electron-

ics group, is expected to report

on Wednesday first quarter net

profit of Fl 590m-Fl 830m (\$351-

\$494m) compared with Fl 744m

a year earlier, according to

analysts. The figures are expec-

ted to include FI 300m-FI 400m

in extraordinary net profit

Analysts therefore see net

AFX News

inventory

Total production for the quar-ter is estimated at 1.2m units.

are rising rapidly, companies

Similarly, high inflation gives rise to illusory profits on inventories. The effect is to produce earnings which ara not backed by cash and cannot be paid out in dividends.

Second, as Salomon's chief equity strategist David Shulman points out high interest rates associated with inflation mean future earnings are dis-counted more heavily to arrive at a present share price. This seems irrational, since present valoes are conventionally calculated using real - inflationadjusted - rates of interest. But in practice, high inflation leads to volatility in interest rates, real and nominal. For this reason, corporations normally raise their hurdle rates of return on investments in

between Fl 290m-Fl 490m, down

from Fl 544m a year earlier.

Sales are seen stable or

slightly higher than last year's

At the annual general meet-

ing last month, Mr Jan Tim-

mer, president, warned share-

holders that first-quarter net

profit from ordinary business operations would be "substan-

tially" lower than the "excel-

Fl 14.619bn.

times of inflation. Both those elements - the quality of earnings and the discount factor - will plainly apply if inflation returns. But the opening question remains: can companies maintain their operating margins while prices are rising? Recent experience suggests they can. When raw materials

prices were rising sharply in 1994-95, US corporations confounded expectations by not only failing to pass on these costs, but by holding their margins. There was a benign combination of low inflation and healthy earnings growth. One important way in which companies were able to square the circle was by slashing their wage bills. Morgan Stanley's chief economist Stephen Roach points out labour accounts for 70 per cent of US corporate

costs while commodities account for only 17 per cent. But the slash-and-burn approach to labour has largely run its course. Also a political reaction is setting in, so labour costs may well start to accelerate. In that case, corporate America will be faced with a combination of wage and raw material price increases not seen for a decade.

As a political straw in the wind, take the recent moves endorsed by some Republicans as well as Democrats - to raise the US minimum wage of \$4.25 per hour by up to \$1. But by Roach's calculations, the knock-on effect could be to increase wage inflation - now running at 3-3.5 per cent - by half a percentage point. The significance lies not so

much in the absolute increase as in the direction. From the

1CI

700

650

Share price (pence)

Catah Vileak Month UTHILL 1975: 80 85 90 Source: FT Exteri-

S&P Compositie

equity market's viewpoint, the risk is that the pendulum of reward may swing back from capital to labour.

Faced with such cost messures, the only defence for corporations would be to raise prices. In recent years that has largely proved impossible, if only because globalisation of trade has brought new capacity around the world. With the Group of 7 countries seemingly bent on promo-

L1,173bn-L1,356bn (\$85bn) in zi's opaque structure makes 1995 compared with a net loss forecasting difficult. AFX News

of L345bn a year earlier. In February, Montedison announced a 1995 preliminary gross operating profit of 3.140bn, up 16.4 per cent, and sales of L24,360bn, np 13.2 per

Montedison also announced in September that its first-half net profit of L1,092bn was boosted by a capital gain of L985hn from the transfer of assets to its Montell joint ven-ture with the Royal Dutch/ Shell group.

Ferruzzi Finanziaria, Montedison's parent, is also due to announce its results today. The group said in February that its 1995 preliminary sales were 1.27,265bn, up 9.4 per cent, while gross operating profit rose 17.7 per cent to L3.623bn. In 1994, Ferruzzi posted a

L997bn net loss. Analysts were reticent about

0.8 3.7 18.1 21 22 40 2.8 Month Year -1.3 30.3 24.9 28.3 de - Labraga Bro Ine FT/SAP . . Co., and See CARS OF CARDY to pass on cost increases. But if ting growth - as instanced by they can maintain operating margins. it may be at the last week's German interest rate cut - that may change. But if increased world demand does soak up global capacity, the resulting ability of corporations to pass on price increa would form part of a wider

The result is a no-win situation. If inflationary pressures remain subdued, corporations will probably face a margins watch out for upsets. squeeze through their inability

expense of general inflation

which reduces the quality of earnings and applies a heavier discount to their future value. It would not do to be too

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Yon Bonds 3-5 year

Week. Month

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Bonds 7-10 year

inflationary surge.

■ Klöckner-Humboldt-Deutz:

The German engine maker

which is struggling to recover

after almost collapsing last

year, reports its full results for 1995 tomorrow. The company

said last year that it expected

net losses in 1995 to reach

about DM300m (\$201m) because

of further restructuring.

According to preliminary fig-

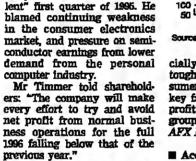
pres in December, sales in 1995

pessimistic. In recent years, corporate America has shown remarkable ingenuity in finding ways to raise productivity. But if the bond market is right, strong results from its telecoms business; reports its full results for 1995 on Wednesday and will give the fullest indications so far about prospects for

this year. The group recently said net profits in 1995 had risen to DM701m - more than double the 1994 result - but DM464m of that came from telecoms which represents only about 10 per cent of group sales. While analysts forecast that gross profits this year may rise to DM1.3bn, they expect net profits to remain. near their 1995 levels because of high tax charges.

The E Enrntunnel: Anglo-French operator of the Channel Tunnel is today expected to announce losses for 1995 of around £900m.

ICI: First-quarter figures from the UK's biggest chemicals company on Thursday are likely to be worse than in the same period last year.



Mr Simon Street of Barclays de Zoete Wedd said: "Clearly. the group's activities relating to consumer electronics, espe-

500 400 300 200 100 198 95 96 Source: FT Extel cially Grundig, are having a tough time. A recovery in con-

sumer electronics will be the key factor in Philips' full-year profit trend. The rest of the group is doing fairly well." AFX Netos Accor: On Wednesday the

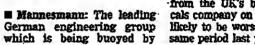
Share price (pence)

600

French hotels group will report a net profit of FFr900m-FFr950m for 1995, up from FFr711m (\$140m) a year earlier,

1995 Source: FT Exant due to a surge in hotel income in the second half and a drop in financing charges after debt reduction. Accor had a first

half net profit of FFr29m but the seasonal nature of its activities will increase earnings in the latter part of the year, ana-AFX News lysts said.



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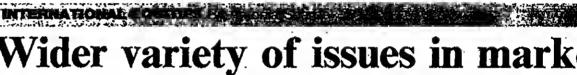
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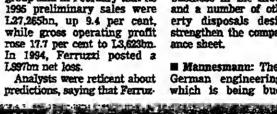
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and a number of other property disposals designed to strengthen the company's bai-Mannesmann: The leading



rose DM500m to about DM3.2bn AFX News while new orders remained steady at about DM3.6bn. The new management under Mr Anton Schneider, is also expected to announce details about business in the first quarter

# **Berkshire Hathaway I**

# Class B Common Stock Offe

(\$.1667 par value per share)

The public offering price per share of Class B Comme expected to be approximately one-thirtieth (1/30th) of sale price per share of Berkshire's Common Stock, \$5.0 per share, on the New York Stock Exchange on the date

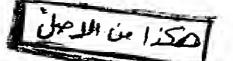
### Expected Pricing Date: May 8, 19

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The offering referred to above constitutes a new financing for the company and all proceed company. A registration statement relating to these securities has been filed with the Se sion but has not yet become effective. These securities may not be sold nor may off Commis prior to the time the registration statement becomes effective. This communication shall no sell or the solicitation of an offer to buy nor shall there be any sale of these securities in a such offers, solicitation or sale would be unlawful prior to registration or qualification under such jurisdiction.

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	Wider variety of issues in market	Dollar h
Inc.	The international primary equity market has entered the second quarter of 1996 with a full and varied timetable of new issues and, thankfully, international investors are still fush with cash and sentiment in the secondary markets is	
ering	broadly positive. "The markets are open and deals are working," sail one syndicate manager last week. Despite the heavy US primary equity calendar, bankers are continoing to see strong Italian life insurance and to announce the rest of the	
non Stock is f the closing .00 par value te of pricing.	investment flows out of the US into Europe and emerging markets, a trend which started at the beginning of the year. Unliks last year, when offerings had to compete against each other for investors' attention because so many were concentrated either in the teleconcentrated either in the telecons or steel industries, investities this time round. Another reason why bankers are optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the use optimistic about the primary equity market is that the prima	
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**MARKETS:** This Week

### FINANCIAL TIMES MONDAY APRIL 22 1996

### NEW YORK By Jony Jackson

The US debt and equity markets continue to convey a sense of imbalance, with bonds in disarray and the equity market still remarkably robust. Much of this is due to continued optimism over corporate earnings, so the current results season needs careful watching. So far, the pattern has been encouraging, with strong results last week from mainline stocks such as Kodak

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and continued evidence of stock buy-backs. This week brings first-quarter figures from big names such as Procter & Gamble, Xerox and Allied Signal, all of which are expected to raise earnings by well over 10 per cent. On the other hand, there will be plenty of downturns in

cyclical sectors such as chemicals and steel. If they are less severe than expected - as in paper stocks last week - the market could be encouraged. Dupont will manage a healthy increase in earnings per share as a result of its assive share buy-back from Seagram a year ago. But Dow. Monsanto and Union Carbide are all likely to show falls, while several steel stocks, such as Bethlehem and National. are expected to make a loss. The bond market,

meanwhile, has little to go on in the way of official statistics this week. Tomorrow brings February balance of payments

Benchmark yield clarve (%)\*\*\* 1944/96 🕳 Monih ago 🚍 7.00 £50-6.00 ٠. <u>300</u> 10 years 20 30 antes Average Dow Jo 5.640 1.1 5.800 5.580 -

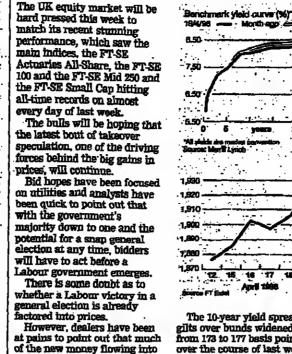
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data, which are expected to show a fall from January's seasonally high \$10.3bn to less than \$9bn (and from last year's monthly average of rather more than \$9bn). Wednesday brings March figures for durable goods orders, expected to be slightly down after February's sharpen fall of 2.3 per cent. However, the underlying figure may be less encouraging. February's figure was depressed by low orders for defence and aerospace and this may not be true this time round.

states in February 1995, but it

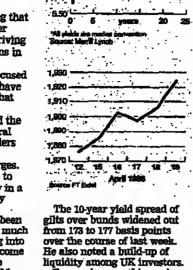
has yet to enter into force

because of a lack of support



LONDON By Steve Hompson

UK equities recently has come from the US following the widely publicised visit of Mr Tony Blair, the Labour leader who apparently went down well with the Americans. In the gilts market, analysts expect Wednesday's auction of 10-year bonds to go smoothly. Mr Andrew Roberts, gilts strategist at UBS, said 10-year paper is relatively cheap



Month app

Sconomic news this week sees M4 money supply numbers on Monday followed on Tuesday by the **Confederation of British** Industry's quarterly trends survey and on Thursday by retail sales figures for March The latter are expected to show an increase of 0.6 per cent on the month.

FRANKFURT By Andrew Fisher It has become a clicke that the Bundesbank loves springing surprises, but that does not

stop the German central hank. Its half percentage point cut last week in the discount and Lombard rates to 2.5 and 4.5 per cent respectively bringing them back to lows last reached in 1987 - had been expected, but most analysts had penned this in for later. Some economists thought

the Bundesbank had lost some of its rigour by acting in a way that so obviously fits in with economic weakness but seems to go against rapid growth in the money supply.

"The Buba [Bundesbank] has shown its willingness to lubricate the necessary restructuring," said Mr Alfred Rosenstock, economist at Industrial Bank of Japan, This was a reference to Bonn's efforts to trim spending and wage negotiators' attempts to agree moderate pay deals. Now, it is up to the government, employers and unions to act."

Paribas Capital Markets thought the Bundesbank had taken pains not to upset bond markets by leaving the securities repurchase (repo) rate unchanged at 3.30 per cent. "The difficult part of the exercise was to reassure the bond market that the Buba was not taking inflation risks when M3 is running so far above its target."

Benchmark yield curve (%)" 1944/96 .---- Month ago ..... 10 years 20 30 "All yields one market o Source: Marrill Lynch **DAX** index too old to grab the attention of traders, but department store, chain store and retail sales are expected to indicate a recovery. Friday's industrial production figures for March 12 16 17 16 19 are expected to indicate a đ Source FT Exteri significant decrease in output due to inventory adjustment and weaker exports. While Paribas said the central bank negative for the equity market. had "waved a big carrot in this will be perceived as front of the market". The move positive if it reveals a sharp decline in inventories. The Nikkei index is likely to

8.00

7.00

6.00

8.00

4.00

3.00

2.550

2,540

2.530

2,520

2.5104

0

would make the market consider its bearish outlook on short-term rates. It should also but profit-taking pressure has increased from investment now assume the bank will allow the repo rate to fall below 3 per cent, which would support the bond market, trusts, which bought around the 20,000 level, while foreign resulting in lower 10-year buying seems to be waning vields. The stock market rose on the Welfare Service Public Corp. the largest state run pension

interest rate news, but not very strongly. This week, it is likely to start shakily as share options expires. 

. . .

Benchmark yield curve (%) released this week are likely to point to the momentum of 4 00 Japan's economic recovery, market participants expect 3.00 volatility in bond and equity prices ahead of the "Golden 2.00 Week" spate of holidays. Retail sales and other 1.00 consumption-related figures are likely to surprise on the upside, says Mr Michael "All youlds are market Science: Mental Lucide Hartnett, economist at Merrill Lynch in Tokyo. February Milckel 225 Av household consumption and leading indicator data may be

TOKYO By Emiko Terazono

While economic indicators

test the 22,000 level once again

While buying by the Pension

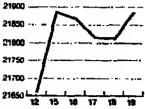
fund manager, is expected provide underlying support

.

...

along with bargain hunting by

. . .



33

April 1996 Source FT Extel

other domestic institutions breaking 22,000 may take some time, say analysts. The bond market has remained cautious over prospects of rising short-term interest rates. While weakness in the banking sector justifies interest rates at low levels, comments by Bank of Japan officials show inflatioo has become a policy-making consideration. Concern over corporate supply lingers and this week's bond auction may trigger profit-taking depending on the outcome, . . .

compared with German bunds COMMODITIES By Richard Mooney OTHER MARKETS Compiled by Michael Morgan

# No pressure at rubber talks

**Progress** towards ratification of a new price stabilisation pact for the world natural rubber market will be discussed this week at a meeting of the International Natural Rubber Organisation in Kuala Lumpur, Malaysia.

stage.

from importing states. There appears to be little The deadline for its signature and ratification was origi-nally set for December 28, but prospect, however, of any significant move being made to hasten ratification. has since been extended to July 31.

'It'll be a very straightforward meeting . . . mostly on house-keeping stuff," an Inro The three-day Inro meeting starts on Wednesday, after two official told the Reuters news days of committee meetings. agency last week. "The status Other events this week of the Inra 3 and the imporinclude the four-day Americas conference at Bal Harbor, Flotance of its ratification will be rida, at which mining company discussed at the meeting," he said. "But it's possible that executives, government ministhere won't be a dramatic ters, bankers, investors and show of commitment at this mining sector analysts gather

Agreement was reached on America and the Caribbean Inra 3, the third International region. Natural Rubber Agreement, by Today also sees the start of producing and consuming

the three-day annual session of the International Nickel Study Group in The Hague, Netherlands, and the publication of the International Primary Ahminium Institute's production data for March.

On Thursday and Friday, New Delhi is the venue for the Indian National Conference on **Commodities Futures Markets.** The event, which is organised by Assocham, will include among its participants the chief executive of the Kuala Lumpur Commodity Exchange, the chairman of the Indonesian Commodity Exchange, and officials from the UN Committee on Trade and Development and the World Bank.

### PARIS

The equity market has been npgraded by J.P. Morgan, which has raised its recommendation from underweight to neutral, and raised its yearend target to 2,200 from 1,900, writes John Pitt.

Mr Gary Dugan and Ms Caro-line Mėroz at J.P. Morgan say that despite reservations about the country's budget deficit and the ability of financial stocks in particular to reverse the recent poor performance, "we can see an opportunity for the market to show some modest outperformance in the coming months".

The pair argue that economic activity has been moving forward and has thereby raised the prospect of an npward revision to earnings forecasts in the near future. Our decision to move our

weighting up to neutral was not an easy one, and we would not want to pretend that there are still not significant risks in the markets . . . However, come the autumn we believe the government will again face big decisions on deficit redoction. This could lead to a period of volatility similar to that seen late last year."

### MADRID

Equities managed to overlook the continuing political uncer-tainty and put in a strong performance last week. They could be given a further fillip this week if, as widely expected, the Bank of Spain moves again to cut its key money rate after the 50 basis point redno-tion to 7.75 per cent on April 3. Many analysts believe the anthorities have room to act after last Thursday's move by the Bundesbank to cut two of

its key rates, but warn that the Seng index, and brokers see performance of the peseta resistance at 11,200. The next against the D-Mark is the cru-cial factor determining the timsupport is likely to be 10,600. Activity may be spiced up towards the end of the week by ing of such a move. Bonds also put in a strong the peoding expiry of Hang performance, topping the Salo-mon World Government Bond index last week. Salomon said Seng index futures contracts at the end of the month, introducing an element of volatility on Friday that the high-yieldinto the market. ing Spanish market gained 1.79 per cent in the week th April 18. in local currency terms. compared with a 0.47 per cent gain in the WGBI as a whole.

### HONG KONG

Brokers expect a quiet week with thin trading volumes in the absence of fresh news. writes Louise Lucas.

### The corporate reporting sea-BRADY BONDS son has wound up, and there is little on which investors can focus.

Support has been held at 10,800 on the benchmark Hang

CROSS BORDER M&A DEALS

### Investmeot banks are still issuing covered warrants, and 794. second-guessing targets, along with punting second liners, are likely to be key focuses of trading. The Hong Kong listed China shares, or H-shares, will also be carefully watched following last week's announce-

ment of corporate earnings. nated global bonds. Mr Peter West, ecocomic adviser to West Merchant Capital Markets, believes "investor confidence [in Mexico] is strengthening, with signs that the economy is undergoing a

FINANCIAL TIMES

Research & Development

Manufacturing

Emerging market debt performed strongly last week, with the West Merchant index of secondary market prices tiown"

the previous week, writes Samer Iskandor. This represented an outper-formance of about 2 per cent over US Treasuries, which were mostly unchanged over the week. The weighted aver-

trading at 140.57 at London's close oo Friday, up from 137,79

age stripped spread over Trea-suries fell by 42 basis points to

Mexican bonds outperformed the index, rising about 3.5 per cent during the week, partly on market optimism following the government's offer to swap up to \$2.5bn of Brady bonds for new 30-year dollar-denomi-

recovery and inflation heading

to discuss prospects in Latin CURRENCIES By Philip Gawitt and Graham Points 

sucs in marke

The dollar, for the early part of this week at least, will be hos- want more than the dollar tage to developments arising from yesterday's meeting of G7 finance ministers in Washing-The dollar'a progress ton. Early reports suggested upwards has been sluggish of late, despite favourable ecoministers welcomed the dollar's recovery over the last year, with only tentative hints nomic fundamentals such as that officials were looking for relatively low inflation, stronger than expected growth and the currency to rise further. Against this background, the downward pressures on both trade and budget deficits.

FT GUIDE TO WORLD CURRENCIES

dollar is unlikely to make sig-

nificant headway this week.

haps best be explained by the markets' already bullish posi-tion towards the dollar, which appreciation achieved so far makes any further upward would the market be encouraged to buy the US currency. moves difficult.

Dollar hostage to developments at G7 meeting

Aside from the G7 and the dollar, traders are sure to focus on the outcome of the Italian election. First prize, from a market perspective, will be a strong government, whether it be from the right or left. Of the two, a centre-left majority would probably be This lack of progress can per-

more enthusiastically received by currency markets, because the left would be keener on an early Italian re-entry into the European exchange rate mech-

anism Speculation about ERM reentry could well spur a strong rally in the lira, because traders would assume that re-entry would only be permissible to other ERM members provided the lira did not remain undervalued. Some analysts believe

Italy could apply for ERM membership as early as June. If, however, the election fails to produce a clear victor, investors may well be tempted to sell Italian assets, either swap-

ping them for assets in other high-yielders such as Spain, or retreating into the D-Mark for safety. If the latter, this could upset the dollar's rally, espe-cially if it takes place in con-junction with a tepid G7 statement

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Westpac (Australia)	Trust Bank (NZ)	Banking	\$1.46bn	Lloyda pipped
Mobii (US)	Ampolex (Australia)	Oil & gas	\$1.3bn	Revised rejection
Bank of Ireland (Ireland)	Bristol & West Building Society (UK)	Financial services	\$604m	Consolidation continues
Ford (US)	Mazda (Jepan)	Car manufacture	\$480m	Taking control
Guilbert (France)	W H Smith Business Supplies (UK)	Stationery	\$214m	Strategic disposal
Duracell (US)	Eveready South Africa (SA)	Batteries	\$127m	Hanson disposal
Gambro (Sweden)	American Outpatienta Services	Healthcare	\$75m	Renal

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Finance

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Management

Sales

which were very patchy.

exchange (rounded) against four key , April 19, 1996 . In so the rate is nominal. Market rates are the YEN E STO

			E SIG	109.5	C-MANUK	DK 1005			~ 014			DOF X0					QK 1003
	Algenmeter	(Alghani)	7209.07	4750.00	3154.55	4440.70	Greece	(Drachma)	308.224	241.310	160.284	225.537	Paldstan (Pak. Rupec)	52.5491	34.6253	22.9961	32.3707
	Albania	(Leis)	150.706	89.3000	65.9494 36,1869	92.8341 50.9388	Greeniand Greenetia	(Daniah Krane) (E Carto S)	8.8753 4.0978	5.8085	3.8577	5.4303	Pagentine (Balboel Pagent New Guines (Kingt	1.5177	1.2007	0.8641 0.8592	0.9349 1,2095
	Algeria	(Diner) (French Fr)	82.8941 7.7597	54.4905	36,1868	4.7753	Guardateup	Local Fr)	7.7537	5.1090	3.3931	4,7783	Paciguity (Guarant)	3050.58	2010.00	1334.93	1879.12
	Andona	Go Pesetal	190.373	125,400	83.2635	117.235	Guern	(US S)	1.5177	1	0.6641	0.9349	Poru (New Soft	3.5053	2.3080	1.5734	2.2147
•	Angola (Pe	ead Kwanzait1)	48238.0	31784.0	21109.1	29714.4	Guitemain	Custore	9.3724	6.1754	4.1014	5.7738	Philippines (Peac)	39.7170	28.1706	17.3808	24,4659
•	Antonia	& Camb S)	4.0978	2,7000	1.7932	2.5242	Guinea-Els	(Fi) 2020 (Peso)	1513.15	997.000 18036.0	862.151 11978.5	952.081 16561.5	Pitonim is (£ Sterling) (N2 \$)	2.2415	0.6569	0.4376	0.5160
	Argomina	(Peno)	1.5168 613,5000	0.9993	258.457	\$77,909	Gayena	Guvantsu S	210,809	138,900	92,2495	129,856	Poland (2)otyf	3.9854	2.6260	1.7440	2,4550
	America	(Oram) (Florin)	2,7165	1,7900	1,1859	1.6735		(					Portugal (Escudo)	234,514	154.590	102.570	144.524
	Auctrolic	ALLE SA	1.9408	1.2768	0.8482	1.1954	Halt	(Gourde)	24.5503	16.1780	10.7432	15.1227	Puerto Rico (US S)	1,5177	1	0.6641	0.9349
	Austria	Schling	16.0725	10.5804	7,0335 2906,29	9.9006	Honduras Hong Kong	(Lempira)	15,4974 11,7368	10.8700 7.7348	7,2192	10.1622 7.2312	Castor (Physit	5.5262	3.6405	2.4178	3.4035
	Arenhalien	(Manal)	5541 450	4376.00	102.670	144.524	Hangery	(HKS) (Forint)	221.114	145,895	96.7623	136,208	Cator (Riyal) Reprilon is, da la (F/Fr)	7.7537	5,1080	3.3931	4.7763
	Acores	(Port Escudio)	234.614	134200	Life and								Romania (Leu)	4659.34	3070.00	2038.82	2870.10
	Bahampo	@uhamo \$	1.5177	1	0.6641	0.9346	Iceland	(calendic Krone)	101.185	86.6700	44.2784	82.3256	Fitmalia (Plouble)	7487.33m	4933.50	3278.55	4612.26
	Sahrain	(Dirm)	0.5722	0.3770	0.2504	0.3325	india	(Indian Ruppin) (Pupath)	51.9037 3532 33	34,2000	22.7137	31.9731 2175.65	Recancia (Fr)	333.694	220.000	\$46.111	205.875
	Baleonic Is	(Sp Peeeta)	190.313	125,400	83.2835	38,2838		Piet	4553.10	3000.00	1992.43	2804,85	St Christopher (E Carlo S)	4.0878	2,7000	1.7832	2.5242
	Banglediah Barbadat	(Cake)	62,1470 3,0526	2.0713	1.\$358	1,8803	inac.	(Pilet) (Inscri Dimer) (Inscri Dimer)	0,47190	0.3109	0.2085	0.2907	St Heleral (D)	1	0.8589	0.4376	D.8160
	Belerus	Pouble	20362.70	13430.0	8918.44	12655.5	Intel Rep	(Insci Dinar)	1517.70m	1000.00	004.143	934,865	St Lucia (E Carlo S) St Plane (Franch Fr)	4.0678	2,7000	1.7932	2.5242
	Bolgium	(Belg Fri	48.9713	30,9600	20.9552	28.9347	israel	(Pund) (Shoke)	4.8476	0.8376	2.1213	2.9661	St Plane (French Fr) St Vincent (E Carlo S	4.0978	2,7000	1,7932	2.5242
	Bebze	(83)	3.0354 775.370	2,0000 510,900	339.311	477.633	italy	Lind	2380.05	1568.25	1041.54	1456.13	San Merino (Italian Liga)	2380.05	1558.25	1041.54	1488.18
	Bernuda Bernuda	(CFA Fr) (Bennuckan Si	1.5177	1	0.6841	0.9349							Sap Tome (Dobra)	3013.62	1985.85	1318.78	1858.35
	Bhuton	(Noulinum)	51.9037	34,2000	22 7137	51.9731	Jermice.	(Jamecon 5)	57.2932	37,7500	25.0714	35,2919	Saudi Ambia (Filyal) Sanagai (CFA Fil)	5.6907	3,7497	2,4903 339,311	3.5065
	Bollva	(Bolivand)	7.6338	5.0300	2 1596	4.7025	Jepan Jordan	(Yen) Slordanian Direth	1.0760	0.7000	0.4709	0.8628	Soychelles (Puper)	7.8075	5.0125	3.3290	4.6951
	Gotswana	(Pule) (Reci)	1.5041	0.5911	0.6582	0.9266								1350.75	890.000	591.087	832.048
	Brazil	girunai \$)	2.1377	1.4085	0.9354	1.3166	Kazadhidan	filmont	100.123	65.8700	43.8135	61.6744	Singapore (S	2.1377	1,4085	0.9354	1.3168
	<b>Bulgeria</b>	(Lev)	128.989	84.9900	58.4455	79.4558	Kenya	(Kenya Shillog) (Australian Sh	38.5032	58.3900	38,7727	54,5795	Stovenia (Koruna) Stovenia (Totar)	45.2307 205.160	30,4629	20.2311	28.4785
	Burkino Faso	(CFA Fr)	775.370	510,900	339,311 3,9006	477.633 5.5019	Korua North	Allocation and	1.9406	2.1500	1.4279	2.0100	Solomon in di	6.3348	3.5150	2.3345	3.2662
	BLINE	(Kyst) (Burandi Fit)	6.9316	5.6851 281.876	187.206	263.422	Korsa Sout	h (Word)	1182.33	779.050	517,401	728.322	Somel Rep (Shiling)	3875.37	2620.00	1740.05	2449.40
	Burundi				-		Kurweit	(Kumati Diver)	0.4540	0.2998	0.1991	0.2603	South Africa (Rend) South (Pereta)	6.4766	4.2676	2.8342	3.9996 117,235
	Cambodia	Filen	3490.71	2300.00	1527.53	2150.24	Laca	New Kick	1395.28	\$20,000	611,012	860.084	Spanist Ports in N Airica	190.313	120.400	614639	117-230
	Camaroon	CFA Fri	776.370 2.0675	610.500	339.311 0.9948	477.633	Latvie	Late	0.8302	0.5470	0.3653	0.5114	(Sp Petete)	190.313	125,400	83,2835	117.235
	Canada	(So Proota)	190.313	125.400	63.7635	117.238	Lebenon	(Lebenere 1)	2396.65	1580.50	1049.65	1477,58					
	Clandiny la Cip. Vendi¢	CV Escudo	125.924	82.9700	55,1038	77.5874	Lesotho	(Makuti) (Urbenen S)	6.4786	4.2675	2,8342 0.8641	3.9996	Sri Lanka (Rupes) Sudan Rep (Dinar)	63.3553 145.699	54,2650 96,0000	36.0397 63.7577	50,7315 88,7490
	Carmon 15	(Ca S)	1.2917	0.8511	0.5653	0.7957	Liberta	(Ubyan Diner)	1.5396	0.3555	0.2367	0.3324	Suringen (Guilder)	622.257	410.000	272,299	363,303
	Cont. Air, Pop Chad	CFA Fri	775.370 775.370	510,900 510,900	339,311	477.533	Libya Liechtenstei	n (Sweet Fr)	1.8550	1,2223	0.8118	1.1427	Swaziand (Llangerl)	6.4798	4,2675	2.6342	3.9696
	Chile	(Childran Press)	817.304	408.750	270,140	390,265	Lithuania	(1966)	6.0706	4,0000	2,6566	3.7396	Swadan (Kronu)	10,1858	6.8890	4.4484	6.2619
	China	(Thereis	12.6430	8.3306	5.6327	7.7892	Loursbourg	a Cust Fri	48.9713	30.9500	20.5552	28.9347	Switzenland (Fig	1.8550	1,2223 41,9000	0.8118 27.5278	1.1427
	Colombia	(Col Peso)	1599.22	1053.75	699,641 253,905	985.135 357.411	Macao	(Parama)	12.1237	7.9882	5.3058	7.4581	Synia (2) Taiwan (3)	41,2027	27.1490	18.0306	25,3812
	Comoros	(Fr)	580.224	382,306	338.311	477.533	Macedonia	(Denar)	57.8244	38,1000	25.3039	35.6191	Tangaria (Shiling)	811,210	534,500	354.084	499.696
	Congo Goste Rica	(CFA Ft) (Colori)	306.489	201.500	134.110	188.781	Madagescer Madages	(MG Fr)	5691.37	3750.00	2480.54	3505.82	Theiland (Baht)	38.3586	25.2750	16.7882	23.8292
	Côte d'Ivano	ACFA FM	775.370	510.900	339.311	477.533	Maciona	Port Escudo	234.614 23.2263	154.590	102.670	144,524	Togo Pep (CFA Fri Tonga is (Patenge)	775.570	610.900 1.2786	399.311	477.633
	Croate	(Kurne)	6.4090	5.5400	3.6798	5.1798 0.9349	Materia	(Kwacht)	3.7681	24960	1,6577	2.3335	Trinicad/Tobaco 82	8.7116	5,7400	3.8122	5,3863
	Cubp	(Cubun Peeci	1,5177	0.4692	0.3118	0.4387	Maidive la	Guide	17.8633	11,7700	7,3170	11.0036	Tunisia (Diner)	1.4794	0.9748	0.6474	0.9713
	Cypne	(Cyprus D	0.7121 41.8358	27.5650	18.3073	25,7710	Mail Rep	(Fingslö (Facilyei (CFA Fr)	775.370	510,900	339.311	477,633	Tarbey (Line)	112457.9	74100.0	49213.0	68275.0
	Canch Rep Donmark	(Denist: Krone)	8,8153	5.8085	3.8577	5,4903	Maka	Makaoo Lini	0.5503	0.3625	0.2408	0.3390	Turks & Calcos 415 S	1.5177		0.5541	0.9349
	Dilboute Alep	(Dab Fri	342,833	160.000	108.263	149.582	Martinique	(Local Fr)	7,7527	5.1090	3.3931 90.3186	4,7763	Tuvalu (Australian S)	1.9405	1,2786	0.8492	1.1954
	Dominica	(E Canb S)	4.0978	2.7000	1.7932	2.6242	<ul> <li>Mauritaria</li> <li>Mauritaria</li> </ul>	(Cuguiye)	206-362 29,2370	19,2650	12,7947	18.0106	Ugandt (New Shilling)	1528.32	1007.00	655.792	941.428
	Duminican Rei	D Pesoi	20 8001	18.7050 3075.50	9.1021	2575.24	A Marcine	(Maur Rupini) (Maxican Pasci	11,2496	7.4125	4,8230	6 9298	Ukraine (Karbovaneta)	291533.2	185500.0	123198.5	173421.2
	Ecuador	(Sucre) (Sucre)	4667,680 4673,00a	3079.00	2044.90	2878.51	Mitalakon	Buccai Fri	7,7537	5.1060	3.9931	4.7763	UAE (Derham)	5.5743	3.6730	2,4394	3.4338
	( and	(Egyptian 1)	5.1813	3,4007	2,2586	3,1793	Moldova	- <b>1</b> 44	6.9587	4.5950	3.0451	4.2885	United Kingdom (C)	1	0.6589	0,4376	0.8160
	Egypt El Sahador	Coloria	13,2875	8.7350	5.8145	8,1849	Monaco	(Franch Fr)	7.7537	5,1090	3,3931	4,7763	United States (US \$)	1.5177	7.5900	0 6541	0.9349
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MARKETS: This Week

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Bayerische Landesbank pro-

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Landeskreditbank

US\$200,000,000

notes due 2002

US\$100,000 note.

**JPMorgan** 

BRADFORD &BINGLEY

\$200,000,000

per \$10,000 note.

Trust Company

JPMorgan .

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Floating rate notes due 1999

Notice is hereby given that the notes will bear interest at 6.125% per annum from

18 April 1996 to 18 July 1996.

Interest payable on 18 July 1996 will amount to \$152.29

Agent: Morgan Guaranty

**Baden-Württemberg** 

Subordinated floating rate

Notice is hereby given that the notes will bear interest at 5.3125% per assum from 22 April 1996 to 21 October 1996.

Interest payable on 21 October 1996 will amount to US\$26.86 per US\$1,000 note and US\$26.85 per US\$10,000 note and US\$2,685.76 per

Agent: Morgan Guaranty Trust Company

PESETAS

# EMERGING MARKETS By David Pilling

# **Argentine shares recoup losses**

When it comes to Argentina's volatile stock market, which climbed 5.71 per cent last week to reach a 10-week high, no "noise" is definitely good news. Noise - a term used to describe the debilitating political bickering that so distresses the Argentine market - has abated recently, allowing securities to regain the ground thet had been lost in March.

-34

In particular, analysis have responded to signs that Mr Domingo Cavallo, the battleweary economy minister, has again patched up his differences with President Carlos Menem after an ugly cabinet scrap last month.

The Argentine market is highly sensitiva to the per-ceived job security of Mr Cavallo, believing that hardwon, but still fragile, economic stability would be jeopardised without the minister's firm hand on the tiller.

Politically, Cavallo seems much stronger now." says one local analyst, pointing to President Menem's defence of his economy minister after congressional uproar at tax changes introduced by Mr Cavallo last week. Tha appoint-ment of the non-combative Mr Jorge Rodriguez to the crucial position of cabinet chief is also seen as having strengthened Mr Cavallo's hand.

The temporary restoration of olitical equilibrium – plus a helpful dip in the yield on the US long bond, which sets the tone for Argentina's dollar-

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Latin America

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pegged economy – has been enough to push the market along. The Merval index of blue-chip stocks has risen 11 per cent to 558.72 from its early March slump. On Friday alone, the index rose 2.92 per cent on creatly increased volume. Brady bonds have also bounced back strongly, with

FRBs ending the week at an

impressive 77 cents. Ms Ingrid Iversen, Latin American debt strategist at UBS, says bonds have responded to political and interest rate stability, as well as to high hopes for a forthcoming Mexican 30-year bond issue, which reflects well on other Latin markets. Argentina's successful

domestic placement last week of \$270m of 90-day peso paper at a coupon of only 6.92 per cent also boosted confide she says. "There's definitely a good feel in the market." Sentiment has been encour-

aged by recent glimmers of hope on what had hitherto been a pretty grim economic horizon. A FIEL survey pub-lished last week showed business optimism up marginally for the first time in mouth whila companias reportad higher demand and lower stock levels. Other recent figurea showed record steel production in March, and higher motor vehicle sales

Month on month

+8.92

+1.11 +7.64 +8.40 +12.62 -12.08 +7.97

-1.66

+2.17 -2.73 -1.25

-3.10

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-1.30

+1.91 -1.76 -0.98

-6.70 +5.48 +9.33 +4.89 -5,56 +2,72 +2,49 +26.38 +8.66

### kers Interacciones. "Now, in the last week, we've seen the institutions come back." Evidence that a fully fledged

recovery is under way, however, is still flimsy. Argentina, whose economy contracted 4.4 per cent last year, has just completed its fourth negative quarter, and few are convinced by official projections of 5 per

cent expansion for 1996. Deflation of 0.6 per cent in the first three months of this year and high unemployment threaten to postpone consumer recovery, as potential buyers continue to delay purchases. Continued recession would put tax targets at risk and increase essure on the government to kick-start the economy, using expansionist measures likely to unnerve the markets.

Salomon Brothers this month revised down its growth forecast for 1996, from 3.5 to 2.8 per cent - still 0.3 points above the International Monetary Fund's estimate - but remained convinced the economy was "poised for recovery". The \$8bn that fied the financial system last year after Mexico's davaluation has returned. Although banks have been reluctant to lend money into a depressed economy, Salomon believes this "trapped liquidity" will begin to feed into growth in the second half.

The dynamic remains in place that, coincident with a reversal in sentiment, the Argentine economy will recover dramatically." it says.

Year to date movement Actual Percent

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+10.70 -6.26 -1.47 +20.83 -1.99 +8.76

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+8.16 +26.37 +14.23

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+19.92 -12.29 -2.42 +15.33 -21.29 +10.81

+12.43 +9.47 +32.63 -0.66 +4.91

+2.81 +17.71 +7.52 +36.39 +3.42 +41.59 +7.96 +34.49 +28.68

Investors are still rewarding Argentina for having survived last year's huge external shock with its peso-dollar parity intact. After the Mexican devaluation, Argentina suf-fered from panic selling on fears that the country's rigid Last week marked a new monetary system would crack. milestone in the hitherto slug-The Merval index fell to 262 last March, but sharp recession gish development of Europe's market for asset-backed securisinca then has not been ties (ABS), but observers are enough to dampen enthusiasm reluctant to hail it as the dawn

at mere survival and the index has more than doubled. Whan the long-awaited recovery actually comes, it is likely to be patchy, making careful stock-picking important, say analysts. Most warn investors off pure consumer stocks whose profits could be hit by sluggish demand, while uncertainty over future telephone tariffs sees many brokers wary about exposure to the so-called Telephone Twins, Telefonica and Telecom. Some investors also likely to give motor vehicle auto stocks wide berth in view of the tough competition that will come with the arrival of multinational manufactures. Several analysts point to YPF, the privatised hydrocar-

bons company, and Perez Companc, the energy-based conglomerate, as best picks, especially given high petro-leum prices. YPF, which does not hedge its sales, will see the full benefit of this in forthcoming results. Profitable utility stocks such as Central Costanera, the Buenos Aires generator, are also popular.

Mr Schubert is also bullish on agriculture-related stocks. This sector bucked last year's recession on the back of high commodity prices and a big increase in Brazilian demand and prospects look good despite a slowdown in Brazil. As well as obvious choices such as food giant Molinos Rio de la Plata, Mr Schubert is recommending agro-chemical companies such as Atanor, and farm equipment atocks, such as Morixe. Finally, the hard-hit con-

struction sector could begin to recover given government measures, including the introduction of mortgage securitisation, to propel this labour-intensive industry. ING Barings is recommending IRSA, the

# **Europe's ABS** sector passes new milestone

basis points over three-month Libor, closely comparable with interest rates on dollar paper of similar maturities.

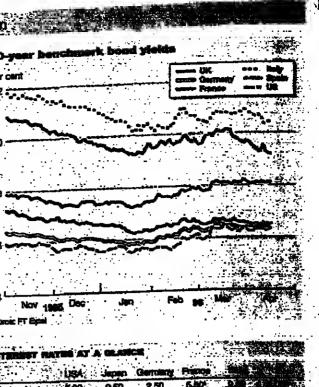
While the yield was not seen as generous, the deal met with a good response from investors seeking D-Mark-denominated, Citibank on Thursday issued DM1bn of credit card-backed top-rated floating-rate debt. We have a number of floating-rate notes - the first time a US issuer has swapped dollar-backed receivables into accounts measured against D-Mark Libor as a benchmark, but it's very difficult to buy a European currency in an any D-Mark money market asset-backed structure, and also the first credit cardinstruments because the Bundesbank has been restricting Asset securitisation enables their issuance." says a fixed banks or companies to take income fund manager who bought some Citibank paper. As a result, most D-Mark loans off their balance sheets, thereby freeing up capital and removing the risk of default. denominated FRNs are illiquid and often trade at a yield The assets are pooled in a bankrupicy-remote special-pur-pose vehicle which raises below Libor. "The spread [on the Citibank paper] is not desperately attractive, but commoney by selling securities to investors. Principal and interpared to the rest of the D-Mark est payments on the mortgage-backed or asset-backed securimarket it's rather good," the fund manager said

ties are funded by the loan With German money market funds, created about two years ago, hungry for paper, the Citi-bank deal is likely to inspire "We've been issuing credit card-backed deals since 1988 but we are still establishing other US securitisers - such as Discover, MBNA Bank or First ourselves in different markets USA Bank - to tap the D-Mark and are expanding our investor FRN market base," a Citibank official says. "Last year we did a Samurai transaction and the natural The timing, too, couldn't be

better, as bankers expect to see next step was to establish a an increase of D-Mark FRN issuance following the Bundesbank's rate cut last week, which is seen by many as the liquid European market, so the D-Mark was an ideal candilast cut in the current interest Going this route didn't even rate cycle.

However, while increased investor comfort with ABSs may spur further issuance, the European market is not about to go through the roof. Indeed, the European ABS market is tiny compared with the US market.

In 1995, Standard & Poor's rated \$94bn of asset-backed issues in the US; Europe saw \$9.9bn of deals during the same



5.00 0.50 2.50 3.25 5.70 0.45 5,13 5.02 5.61 6.54 3.18 2.40 5.06 6.37 654

In the first three months of this year, Europe has already had \$7.5bn of issuance although around more than half of that was accounted for by a massive \$4bn refinancing for GPA, the Irish-based aircraft leasing company.

Other deals were a fibn residential mortgage-backed trans-action by Birmingham Midthires and a DM500m offering. backed by car-lease receiv. ables, for Volkswagen.

In Europe, the UK market has accounted for by far the largest amount of ABS issnance, boosted in the late 1980s by mortgage-backed deals fuelled by the booming property market, followed by France and Scandinavia. However, the lack of large,

homogeneous pools of assets denominated in one currency has been a major obstacle to the development of a large, liquid ABS market in Europe,

"Within each country there is very little homogeneity, and across the continent there's even less - there are enormous differences in assets, regula-

tory systems and tax regimes." says Mr Roger Barris, enecutive director at Goldman Sachs.

Moreover, unlike European governments, the US authorities have done a lot to promote securitisation by setting up government-backed mortgage enders like Fannie Mae. In addition, European banks aren't as keen as their US counterparts to get assets offtheir balance sheets. If anything, most UK banks are asset-hungry," says Mr Ashley Kibblewhite, asset-backed syndicate official at Merrill Lynch. Thus, while market participants' growing interest in asset securitisation will ensure that deals will keep coming, few expect the market to experience a sudden growth spurt. .... "For years, people have been saying that a new dawn is just around the corner, but it's not going to happen," says Mr Bar-

ris. "Although issuers and investors are feeling more comfortable with securitisation, it'll always be just one of many arrows in the quiver."

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"Investors have been looking for something solid on which to base their optimism," says Mr Peter Schubert, a Buenos Aires-based analyst with bro-

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, January 7th 1982-100. Source: ING Boring Security

### Sale of retailing, wholesaling and storage activities in France

Agip Française S.A. ("Agip Française"), 100%-owned by Agip Petroli International B.V. and headquartered in Lyon, with fully paid up share capital of FFr 200 million announces its intention to seek purchasers for its Interests in the following companies and participations:

- Floreal S.A. ("Floreal")
- Girard Fioul S.A. ("Girard")
- 13.6% stake in the Dépôt Pétrollar de Fos S.A. ("DPF")
- Lyonnaise de Stockage S.A. ("Lyonnaise")
- 75% stake in Dépôt Pétrolier de la Région Stéphanoise S.A. ("DPRS")

Floreal is engaged in the retail marketing of gasolines, diesel, lubricants and LPG through a network of 74 service stations in Southern France

Girard is engaged in the marketing of heating and motor fuels to consumers and resalers through a network of 18 regional offices covering both Southern France and the Paris region.

DPF Ia engaged in tha storage and blending of petroleum products at its terminal located in Fos. The terminal is one of the largest petroleum terminals in France with a total storage capacity of 780,000 m<sup>3</sup>.

Lyonnalse is engaged in the storage of petroleum products. Its storage assets are located in Port Herriot and consist of five tanks with a total storage capacity of 63,310 m<sup>2</sup> and associated pipelines.

DPRS owns and operates a depot in Saint Etienne.

Agip Française may determine to sell its interests in the activities represented by Floreal, Girard, DPF, Lyonnaise and DPRS (each a "Business") to a single purchaser or separately although Agip Française's interest in any one Business will not be sold to more than one party.

For the purpose of the sales, Agip Française has engaged the services of Chase investment Bank Limited ("Chase") as its financial adviser. Parties potentially interested in acquiring any of the activities described above should register their written Interest with:

Peter Hall Director Chase Investment Bank Limited Mergers and Acquisitions Woolgate House Coleman Street London EC2P 2HD United Kingdom Tal: +44 171 962 7158 Fax: +441719627156

Applications should be submitted by 29 April, 1996. Prior to receiving an information memorandum describing the activities to be divested, interested parties will be required to provide to Chase:

- A confidentiality agreement, on terms that Chase itself will indicate, signed by an authorised signatory of the interested party.
- Consolidated financial statements for the interested party covering the last three years.
- A description of the interested party's activities and objectives for the potential investment.

Brokers or other intermediarles must disclose the name of the principal for whom they are formally acting. Agip Francaise reserves the right, at its sole discretion and without assigning any reason, to refrain from providing information on the above activities to any interested party.

This announcement is directed exclusively to qualified limited liability companies which as of the date of the last approved financial statements had, and continue to have on the date of application, net worth of an amount equivalent to at least FFr 40 million or Sterling £5 million (whichever is the greater).

This advertisement is for Information purposes only and should not be construed as an offer to buy or sell securities in any hurisdiction. It is neither a public offer ex art. 1336 of Italian Civil Code, nor a solicitation to public saving ex art. 1/18 of Italian Law 216/1974 and successive modifications and integrations. This advertisement is published on behalf of Agip Française and has been approved by Chase Investment Bank Limited which is regulated by The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1986. The Investments which are the subject of this advertisement are not available to private customers as defined in the SFA Rules. This advertisement and any expression of Interest deriving therefrom shall not bind Agip Française or any of its affiliates to proceed with any sale or related procedure. Agip Française and its affiliates reserve the right to make any final decision as to whether to proceed with any of the proposed sales and on the terms of such sales.

This adventisement is subject to Italian law.

 
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Merrill Lynch International

20 Farringdon Road

London EC1M 3NH

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# **Biocompatibles International plc**

(Incorporated in England and Wales with Registered No. 2703724)

1 for 6 Rights Issue of 7,878,320 Units each comprising 1 new Ordinary Share

and 1 Warrant at 360p per Unit

Every 5 Warrants entitle the holder to subscribe for 3 Ordinary Shares at a price of 500p per share during a period expected to be from 9 July 1996 to 14 February 1997.

Application has been made for the new Ordinary Shares and Warrants to be admitted to the Official List of the London Stock Exchange. It is expected that admission will become effective and that dealings in the Units will commence on 8 May 1996.

A prospectus relating to Biocompatibles International plc may be obtained during normal business hours (Saturdays and public holidays excepted) until 24 April 1996 by collection only from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2N 1HP and until 7 May 1996 from:

**Biocompatibles International plc** Frensham House Farnham Business Park Weydon Lane, Farnham Surrey GU9 8QL

Dated 22 April 1996



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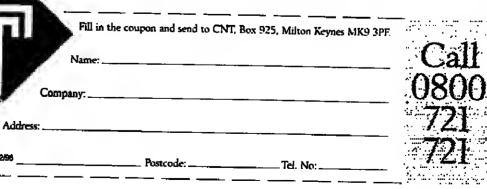
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الكنام الاجل



#### FINANCIAL TIMES SURVEY

## LATIN AMERICAN MINING World's treasure

# chest yields more

mining boom is fuelled by rising world demand and by smaller companies' efforts

to remain in the industry, says Kenneth Gooding

rom aluminium to zinc, the world already relies heavily on Latin Amertea to provide the raw materials necessary for modern living. Chile accounts for nearly one quartar of the copper mined globally, Brazil is sec-ond only to China in output of iron are while Boltvia is the world's third largest tin producer

The region is also an important producer of some more esoteric metals and minerals antimony; arsenic; barytes; graphite; iodine; kaolin; lithium; manganese; molybdenum; tale: tantalum; tungsten, to name hut a few. And even salt. But the world wants more. And international mining comnanies hava decided there is much wealth still to be found in Latin America so the region

has been the centre of an unprecedented mining boom. Mining companies spent more on exploration in Latin America in 1995 than in any other part of the globe. It was the second successive year that the region topped the spending league. According to the Metals Economics Group, an independent Canadian research organisation, the international mining industry spent \$3.55bn on global exploration for nonferrous metals last year, a healthy 21 per cent increase from the 1994 level.

Mining companies budgeted to spend \$784m in Latin America, 44 per cent more than 2994's \$544m. Within the region. Chile attracted the biggest slice of the exploration cash, \$177.6m, followed by

The unprecedented Peru, \$121m. There are already some big projects in the pipeline. It is estimated it could cost between \$8hn and \$10hn to develop the top 20 projects. Exploration in the region is devoted mainly to copper and gold and this shows in the list of projects. About 55 per cent of the \$8hn-\$10hn is for copper projects and 25 per cent for gold.

Another sign of tha importance mining companies place on Latin America is the fact that some of tha big battles for assets have focused on the region. For exampla, Barrick Gold fought off Royal Oak Mines to gain control of Lac Minerals, the prize being the El Indio gold mine in Chile's high Andes; Placer Dome of Canada lost to Rio Algom of Canada in partnership with North of Aus-

tralia in the fight for International Musto and its 50 per cent of the Alumbrers coppergold project; while Newmont Mining is embroiled in a hitter legal dispute with BRGM of France over tha Yanacocha gold mine in Peru, destined to become one of the world's treasure stores.

The reason for all this activity is that the industry is convinced it will not he long before global mining is dominated by a very few, very hig international groups. They are scrambling to make sure they are not left behind or gobbled up hy another predator.

The pace is hectic because nies. governments that once treated mining groups with deep suspicion hava started competing for their favours. Many have watered down or abolished tha foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring large parts of the globe.

Mining groups are also being invited to bid for state-owned mining assets as huge chunks of the industry are being returned to the private sector around the world. "The mining industry is sud-

denly contronted with a wide

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arena of opportunities that have not been available for several decades," says Mr Bob Wilson, chief executiva of London-hased RTZ-CRA, the world's biggest mining group. Mr Wilson estimates that since the beginning of the 1990s as many as half the countries in the world have opened their doors to international mining companies and are actively encouraging them to invest. More than 70 countries hava changed their mining laws to appeal to foreign companies.

All of this is a big change from 20 years ago, when min-ing was an industry in which internationally operating comnamies had virtually ceased to exist after being unceremoniously booted out of one region after another.

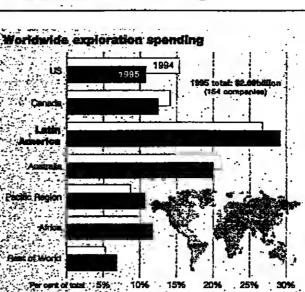
The present deregulation process actually started in Latin America in the mid-1980s. Virtually the whole of the region is now actively seeking investment from mining groups: Even Brazil is somewhat reluctantly joining the trend, with plans to privatisa its national flag bearer CVRD, tha world's higgest iron-ore producer, early next year. The Brazilian government hopes to raise more than \$9hn from the deal. And Brazil recently changed the legislation that prevented foreign ownership of mining compa-

Tha changed circumstances are already having an important impact on the structure of the global mining industry. which has generally enjoyed a prosperous period in the past two or three years, with metals and minerals prices buoyant. For one thing, they have con-tributed to a quickening in the pace of consolidation since, for the most part, only big and wealthy companies can afford

the assets on offer. Mr Jerry Ellis, chief execu-tive of BHP Minerals, the Anstralian group, says the mining industry in the 21st century is

N ORION

LTD.



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American projects after the sudden devaluation of the

Mexican peso in December 1994

and the anbsequent financial panic. Some juniors have also

over-extended themselves with

work commitments and this

in the Americas" conference,

which provided a meeting

place for government officials

from most Latin American

countries as well as big and

small mining companies. Ms

Amy Gassman, analyst at the

Goldman Sachs financial

the re-opening of Latin

Ms Gassman added:

"Financially strong companies

with secure production pipelines will be the ultimate

beneficiaries [as Latin America

opens up even more]. They can

afford to wait to acquire choice

positions as the evailability of

project financing slows and

they can store their projects

until market conditions

. . ....

improve." : .

After last year's "Investing

has weakened their finances.

حكذا من الاجل

smooth ride recently for small likely to be dominated hy a relatively small number of (or junior) companies because large companies that will be the financial community for a while was far less willing to truly global in scope, and internationally staffed provide cash for any Latin

in the second second

Latin Americe might have provided the catalyst to shape the mining industry but today it faces serious competition from countries in sub-Saharan Africa, which have followed Latin America's lead in changing restrictiva rules and regulations. They are competing for the limited amount of capital available. Soon the competition will become even more intense as China, India and the countries of the former Soviet Union start to give that international miners a more positive welcome.

The move to Latin America services group, said: "In was led mainly by North Amercontrast to the enthusiasm of ican companies in the early recent years, which celebrated 1990s. Conditions were right: metal prices were at a level to America as a mining region generate good profits and improved financial markets attractive to international companies and capital, a enabled junior (or smaller) subdued undercurrent this companias to raise venture year quietiy questioned capital and seniors to refinance whether the Latin American mining boom was broadly existing debt on more favourahie terms. enough based and financially sustainable,"

The North Americans were also concerned about the increased cost of developing projects in the US and Canada where they faced difficulties in gaining access to public land for exploration and where an active environmental movement often protested about any proposed mining project and delayed the permitting proce

However, it has not been a

High in the Andes, Chile's already vast copper industry is reaching for new heights

CHILE: by Imogen Mark

The graph tracing Chilean copper production hetween 1995 and 2000 rises almost as steeply as the Cordillera de los Andes, which contains some of the world's richest deposits. In the past five years, national output has risen from 1.6m to 2.2m tonnes of fine copper, and by the end of the decade it is expected to top 4m tonnes, representing about 42 per cent of world production. Codetco, the state copper corporation, is the world's higgest copper producer - last ear it produced 1.16m tonnes. But even more is now being produced hy private compa-

nies This marks a quiet but radical reversal of the revolution 25 years ago, when the Chilean Congress voted unanimonsty to nationalise the mines

"Chilean road to socialism" preached hy President Salva-dor Allende and his Popular Unity government from 1970 to 1973.

In the ensuing military gov-ernment of President Augusto Pinochet, the state held on to the former foreign-owned mines, and reorganised them into Codelco.

1980s it also introduced a mining code which guaranteed future mineral rights to the company which discovered them, and also made 1970sstyle expropriations virtually impossible. Gradually, foreign mining companies ventured hack, tempted hy the goodgrade deposits. With Chile's return to democracy in 1990.

**Escondida** was the first big venture, starting in 1990. Its initial output was 330,000 tonnes year, but almost from year one its owners, BHP of Australia, RTZ in London and a group of Japanese smelters, were planning expansions. By the middle of this year the company expects to be producing 800,000 tonnes a year, making it the world's biggest copper mine.

Monday April 22 1996

37

# In peak condition

It did so as a step on the

But at the beginning of the

the trickle became a flood. for machinery. ble comm



Mr Ken Pickering, Escondida's president, says it also plans a further expansion to heap-teach an oxide deposit to produce 125,000 tonnes of coppeople on site at the onine," Mr per cathodes. If all goes well, the extra production will come Kesler says. Finding the right people is one of the hardest tasks. Chile has almost futt on stream in a couple of years, employment, and there is a lack of skilled labour at all bringing Escondida up to the im tonnes a year mark by the turn of the century.

towards 1998".

explored and defined.

ieveis. Hot on Escondida's heeis comes Collahuasi, the newest As a result, "the costs of doing husiness in Chile match mega-project. Owned jointiy US levels," Mr Kesier says. **Collahuasl** and Escondida, hy two hig mining houses, Fatcoohridge of Canada and along with other foreign min-Minorco, Anglo-American's ing companies, expect to have European arm, Collahuasi has to train their own workers. pencilled in production of Recruiting, relocating, train-330,000 tonnes a year of con-centrates plus another 50,000

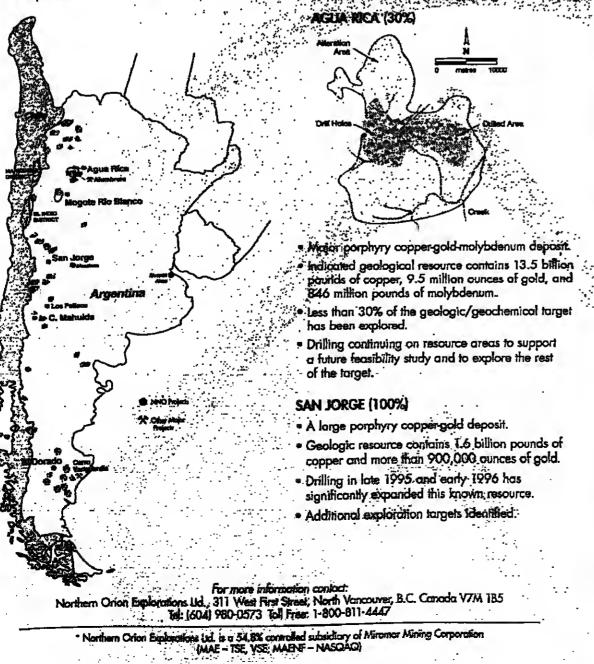
ing and housing, as well as the infrastructure preparation. anes of cathodes. The prowill represent a fuli quarter of duction start-up date is Coijahuasi's totai \$1,76hn investment. Mr Kesier says. The Collahuasi property. The infrastructure includes tike Escoodida, has huge access roads, a port and water potential. Reserves are an estidistribution.

mated 3bn tonnes, but one of A third large-scale project beiongs to Chile's only hig the known deposits, called Rosario, is still not fuliy native mining entrepreneur, Mr Aodronico Luksic, who The mine site is at a punishowns the Los Peiamhres mine, ing 4.500 metres above sea He plans to raise production from its current 22.000 tonnes level, and the project team have been studying the proba year to 230,000 tonnes hy lems of working at such high around the end of the century. Codeico, finally, has its own altitudes, according to Mr plans for expansion. It has a Steve Kesler, its chief executive officer. Ail operations joint-venture, the El Ahra bave been designed to require mine, with Cyprus Amax of the minimum physical effort, the US, which should start from power-assisted steering producing 225,000 tonnes a year in 1997. It has also on all vehicles to easy-access started work on a new wholly-We've put in the best possiowned venture. Radomiro nunications systems Tomic, which will produce between the mine site, the another 225,000 tonnes by 998

### THE LEADING COPPER & GOLD EXPLORATION COMPANY IN ARGENTINA.

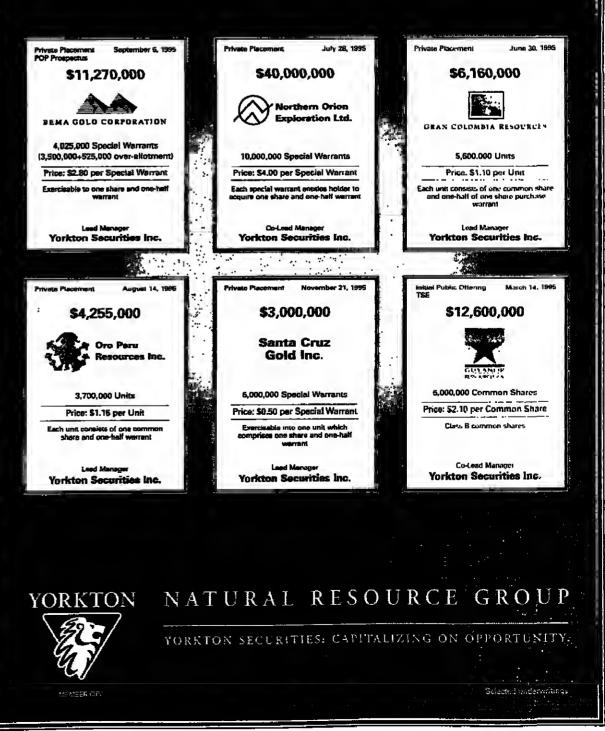
EXPLORATIONS

Northern Orion Explorations Ltd. is a Canadian publicity listed company (NINO - TSE, VSE), whose corporate focus is the acquisition, exploration and development of copper and gold projects in Latin America. Northern Orian has three advanced projects in Argentina plus more than 25 exploration projects in variants stages a series as of development.



# YORKTON

#### LEADERSHIP IN FINANCING RESOURCE COMPANIES



II LATIN AMERICAN MINING

HOW THE FINANCE IS RAISED: by Bernard Simon

FINANCIAL TIMES MONDAY APRIL 22 1996

## **Canada holds the key**

Half the money to finance "the mother of all lotteries" is coming

38

from Canada A surge in exploration activity

combined with investors' appetite for emerging markets has created an active - some would say over-beated - market in the shares of junior mining companies seeking fame and fortune in Latin America.

Share prices on the Toronto stock exchange tell the story. Arequipa Resources, which is looking for gold in Peru, has jumped from less than a dollar last May to a mid-February peak of C\$13.88. Northern Orion Exploration, with gold and copper properties in Argentina and Cuba, more than doubled between the end of December 1995 and early

February. Even these two companies pale beside Guvanor ources, whose price quintupled to over C\$15 during March on reports that it bad found diamonds in French Guyana. The activity is centred on Canadlan stock exchanges, Many of the small exploration companies are beaded by entrepreneurs who cut their teeth in the swashbuckling atmosphere of the Vancouver and Alberta exchanges, or by former executives et larger North American metal producers.

Generous "flow-through" tax incentives helped nurture Canadian exploration companies in the late 1980s and early 1990s. Furthermore, the withdrawal of banks from exploration financing over the past decade created an opening for securities dealers to pat together equity deals.

Three Canadian securities Quellaveco firms - First Marathon, Gordon Capital and Yorkton Secu-Certa Verde rities - pioneered financing for Las Cristinas Latin American exploration in the early 1990s.

Mr Philip Martin, Gordon Cerro Corona Capital's director of mining Refugio finance, says that European Corro Vanouardia investors were first to appreci-Various gold Tintaya ate the opportunities. "The Europeans were the ones who Total investment could see the mystique in it,' be says. But the interest is

now far more widespread. Several dozen analysts in North America and Europe cover Latin American mining and exploration. Mr Frank Giustra, Yorkton's chief executive, esti-

mates that about balf the demand for new equity issues comes from Canadian investors, with the rest split almost equally between Europe and the US.

Debt finance on a significant scale normally becomes avail-Soaring mining

share prices on the Toronto stock exchange tell the story

able only when properties yield sufficiently encouraging drilling results to justify a full feasibility study. The progression from specu-

risks". lative equity funding to more traditional sources is illustrated by Bema Gold, a small Vancouver-based company that began looking for gold in northern Chile in the mid-1980s. Bema struggled in its early years to obtain funds for exploration at Its Refugio prop-

erty. But it gained a sbot in the ance sheet. arm in mid-1993 when USbased Amax Gold bought 50 to outside sources to belp

Country

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Argentine

Mexico

Venezuel

Venezuela

Argentin Chile

Deposit

Collabuas

E Abra

Salobo

Zakiwar

Alumbrera

Candalaria

Radomiro

Escondida

SPCC

El Indio Region

Lomo de Hierro

SOME MINING PROJECTS IN LATIN AMERICA

Company

Cyprus/Code Angio/CVRD

Outokumpu/Placer

Anglo American BHP/RTZ etc

Cyprus Amax

Placer Dome

Angla Jordex

Barrick Gold

Anglo American

Boma/Ama

various

Magma

Phelps Dodge/Sumitomo Barrick Gold

MIM/Musto

Codelco

Asarco

Falconbridge/Ang. American

per cent of the project. Bema raised C\$11m in new equity that year. In 1994, a bank consortium,

in Venezuela. Mr McLennan notes that Venezuela's credit including Canadian Imperial rating is a single-B, which puts Bank of Commerce, Crédit it below normal investment Lyonnais, Deutsche Bank and NM Rothschild, put up \$85m in grade. "We're prepared to accept a good part of the risk. project finance. In addition, but we want to share a part of investors bought \$33m of convertible debentures. Refugio it," he says. began production in early

Cost (Sm)

1,500

1,000

800

760 600

560 500

500

500 550

400

360

200

200

100

\$10,180m

Source: Rio Algory

Whatever political risks there may be in Latin America April at an annual rate of appear so far to have been of 200,000 ounces. Bema's share little concern to investors in price more than doubled in the junior exploration companies. three months to February 1996. Export credit and regional As Mr Martin sees it, most countries in the region now development agencies are also offer an bospltable environin some cases a significant ment. Gordon Capital had little difficulty recently raising source of project finance. Mr Rex McLennan, treasurer finance for Chivor Emeralds. at Placer Dome, the senior which is looking for gemstones Vancouver-based producer which operates mines in north in Colombia.

finance a proposed gold and

When you invest in this and south America as well as stuff, you're taking the metal the Pacific Rim, notes that "project finance is not so much price risk, but you're looking for exploration upside," Mr a source of funding as a means by which we share certain Martin says. It remains to be seen how

According to Mr McLennan, long the boom lasts. Mr Giustra predicts that interest will political risk is a key determibe kept alive for another 5-10 nant in Placer's financing decisions. in Chile, which by comyears by a discovery or two a year on the scale of the recent mon consent offers the most nickel find at Voisey's Bay in attractive investment climate in Latin America, Placer Canada, or the apparently financed Its 50 per cent stake buge gold belt in Kalimantan, In the \$600m Zaldivar copper mine entirely from its own bal-But not every stock has been

winner, KWG Resources, However, it is likely to turn which is drilling for gold in Cuba, soared to C\$20 on the Montreal stock exchange in late February. But its shares had tumbled backbelow C\$12

in early April after drilling results failed to meet expectations. Mr Martin acknowledges that the best opportunities for investing in Latin American mining may be past. Shares of most exploration companies with interests in the region have slipped from their early 1996 peaks. For instance, Guyanor Resources was trading at C\$10,75 in early April, almost a third below its peak, The focus of exploration finance in emerging markets bas recently moved on to south-east Asia and Africa.

Despite his long-term confi-dence. Mr Giustra calls the market in junior exploration stocks "the mother of all lotteries".

As the coal industry steams copper mine on the 70 per centahead, emeralds owned Las Cristinas property are to be given a higher profile

COLOMBIA: by Sarita Kendall

Mining is changing in Colombia. Having digested the experience of three major foreign-backed ventures - two in coal and one in nickel ~ the government and the private sector are preparing legal reforms which will ease the way for companies taking on new projects. At the same time, several new coal hlocks are being put on offer and Colombia plans to re-vamp the emerald business, beginning with a world emerald congress in November. Setting out to change politi-

cally sensitive legislation when the president is involved in an election funding scandal which could lead to his downfall may seem unrealistic. However, there appears to be a consensus that the state role in mining should be reduced to a minimum and that, as it stands, the law does not work for large scale projects, nor does it fit in with the 1991 Constitution.

The mining sector earned \$1.8bn in 1995, providing about 15 per cent of Colombia's export income. Coal led the way and, with all the production increases planned for the coming years, it will continue to do so.

"The price is on the upturn and Colombia has some of the world's largest deposits of high quality steam coal. They can be worked by open pit mining and they're near the

coast," said Mr Daniel Vargas, an engineering consultant for the Australian Trade Commisslon (Austrade) and other groups. "We have a small coal rush on here."

Both RTZ-CRA and Glencore have recently bought into coal mining ventures through local companies, while the Australian company BHP is also looking for openings. Although the government plans to sell off its half share of the northern Cerrejon mine, the privatisation process has not begun and no dates have been set. Last year El Cerre-

Exxon subsidiary Intercor. produced 13.5m tonnes and a coal washing plant now being installed should raise output by at least 2m tonnes.

The steam coal deposits run southwestwards from northern Cerreion to the Drummond mine at La Loma. Both Drummond, which is building up to a production of 12m tonnes a year, and the northern Cerrejon mine have purpose-built infrastructure with ports at Cienaga and Puerto Bollvar respectively. However, smaller-scale operators in the area between the two big mines are trucking coal to the Caribbean

Ecocarbon, the state coal enterprise, is putting up four



Gold panning in Antioquia

blocks ranging from sonthern Cerrejon to the La Loma area for exploration and exploitation, as well as a 2m tonnes a year project at El Hatillo. There are plans for a separate deep-water port to serve producers around La Loma, while studies for another port which would channel exports from the centre zone of Cerreion are also under way. Even without the new projects, current developments should take Colomhia's steam coal exports over 30m tonnes by the year 2000.

The reforms to the mining law will help make Colombia more competitive, though changes to royalty payments ~ among the bighest in Latin ing experts. It's time to

The green and the black jon, which is operated by the America - will have to be negotiated separately. Companies recently agreed on a draft of the new law at a round table organised by Austrade: the private sector will be responsible for exploiting mining resources and promising areas will no longer be frozen for state ventures; leases will last for an indefinite period. with no reversion of mines or infrastructure to the state; red tape will be reduced and the requirements for environmen-

tal permits will be simplified. If all this sounds too good to be true, Mr Vargas points out that the legislation will certainly take more than a year to get through and it will probably be mutilated along

attract foreign interest.

the way. Despite existing dis-

improve technology and add value to the stones - we want to promote them as jewellery." He sees the congress as part of a drive to bring the emerald "above ground" in more senses than one: the business has long been associated with handliry, illegal prospecting. money laundering and smuggling. band, Industry statistics are notoriously unreliable, but last year's official exports totalled some \$490m, putting emeralds in fourth place behind oil, coffee and coal.

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If the move to cut and polish stones locally and create n more sophisticated jewellery sector is successful, this will boost the domestic demand for gold. In pre-Columbian times indigenous cultures produced extraordinary quantitles of exquisite jewels and ornaments which were carelessly melted down by the Spaniards

for their gold content. Now most of the pieces find their way to the central bank's gold nuseum, while thousands of gold panners and a very few companies produce for the international market.

An experienced geologist who specialises in gold believes that Colombia should be producing far more than it does. "There are gold deposits of all kinds in all but two of our departments. The problems lie in getting projects going - and the obstacles are not in nature, but in the bureaucracy, the public order situation and the lack of infrastructure. This is not a place for the biggest companies with advantages, including a lot of rigid rales, those that know how to adapt are the ones that guerrilla activity in mining will make it."

areas. Colombia continues to Although nickel earned Mr Antonio Jose Sanchez, \$185m in 1995, compared with head of the state mining com-\$274m for gold, nickel exports are edging np. The Cerro Matoso plant will be increaspany Mineralco, hopes to attract more than interest ing production by 11 per cent with a series of emerald mining events in November. Colthis year to 60m lbs. Mr Fernombia will bost the first world ando Jaramillo, the manager of Cerro Matoso, says a \$20m emerald congress, with a display of equipment and jewelinvestment programme to "debottleneck" the plant will take lery, and an anction of gemstones and trips to the mines, output np to 80m lbs by the "We produce 60 per cent of year 2000. This should make the world's emeralds and the the sale of 47.7 per cent of the most beautiful ones." said Mr Cerro Matoso operation an Sanchez, "We want to show off attractive proposition and the government bopes to have the our emeralds and invite investors and scientists and marketguidelines for the sale laid ont by the end of this year.

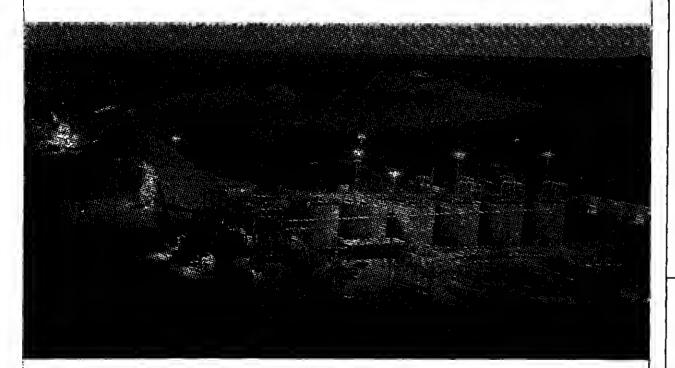
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a Plata Gold CORPORATION

## **KORI KOLLO**



#### MINING LEADERSHIP SINCE 1933

The latest technology . Economies of scale . Labor efficiency . Political and economic stability Unrestricted profit remitance . Free currency convertibility . Promotioo of foreign investment

## **BATTLE MOUNTAIN** GOLD CO.

**BOLIVIA'S MAJOR** NEW INVESTMENT SUCCESS

#### Significant Exploration Projects in Argentina

La Plata Gold Corporation is a mineral exploration company, headquartered in Vancouver, and dedicated to the acquisition and development of profitable mining properties, primarily in South America.

Since late 1993, the Company has aggressively pursued significant mineral prospects in Argentina.

The Company has reviewed the existing geological data, has concluded some initial sampling and is now analyzing the results from the geophysical survey concluded by the Australian Geological Survey Organisation and financed by the Argentinean State and the World Bank.

Head Office: La Plata Gold Corp., 9th floor, 900 West Hastings Street, Vancouver, B.C., Canada V6C-1E5 Fax: 1-604-331-8773.

Sierra des las Minas (Gold/Copper) This area covers approximately 130.000 acres in La Rioja Province and is known to contain significant gold bearing mineralizations. This area is regarded by the Argentinean State as one of the areas with high mining potential in Argentina.

#### King Tut (Gold/Cobalt)

The Company acquired this mine with high gold and cobalt mineralization (5 g/t Gold, 8.9 kg/t Cobalt) in 1994. A sampling program showed very encouraging results in this area. As a result of this, the license area has been extended to 16.000 acres. The Company will start a geophysical survey within next month.

#### Sierra de Tandil (Gold)

The Company owns 125.000 acres licences in the Province of Buenos Aires. Some gold mineralizations have been discovered in this area which is thought to be geologically similar to South Africa's mining zones. An exploration program has been designed and will be started before the summer of 1996.

Cerro Colorado mine in Chile

**RIO ALGOM LIMITED is an** independent Canadian based mining company with interests in Copper, Molybdenum, Zinc, Uranium and Coal in North and South America as well as metals distribution in North America.

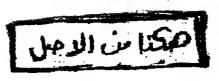
We're Committed to Mining

We own the Cerro Colorado mine in Chile and have an important interest in the Alumbrera copper-gold porphyry deposit in Argentina.

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<u>Peru</u> Ay, Los Conquistadores 948, Ofc. 5A, San isidro, Peru



FINANCIAL TIMES MONDAY APRIL 22 1996 †

since then.

still largely

carried out by

wildcat gangs

BRAZIL: by Jonathan Wheatley

# Return to a golden age

'Brazil's stability 'may revive its mining reputation to a level not seen for 200 years

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Mr Miguel Navarrette, the new director general of Brazil's national mining department (DNPM), has big ambitions. "Brazil could easily become the biggest mineral producer in Latin America," he says. "We will soon return to our natural position as a great mining nation.

There is good reason for Mr Navarrette's optimism. Last September, congress voted to remove from the constitution a ban on foreign control of mining operations. Brazil'e new economic stability provides e better operating environment, and tax changes add to tha attraction. Brazil, says a foreign executive, "certainly has the natural endowment to justify aiming for leadership in Latin America."

Brazil has not enjoyed such prominence in mining since the 18th and early 19th centufinancial director at RTZries, when it was the world's biggest gold producer, When other countries caught up, its boom-bust economy turned to coffee and rubber and a cenally." tury went by before mining again became significant during the country's post-war industrialisation.

Although its mineral resources remain greatly under-exploited, however, Brazil is no lightweight, Govern-mant-controlled mining giant Companhia Vale do Rio Doce (CVRD), which may be privatised by next year, is the world's biggest exporter of iron ore. The country is also a big producer of bauxite, kaolin, manganese, gold, tin, gemstones and many industrial minerals. But the potential for expansion of the industry is

enormous. Vast areas of Brazil - which covers 8.5m square kilometres, or about half of South America - remain unexch plored, although gold is known to be present in most parts of the country. Other than CVRD, which

spends up to \$30m a year on exploration, few Brazilian companies have the resources to locate and exploit new mineral deposits. That means much eign companies. When the 1988 constitution limited foreign

investment in exploration Toronto.

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For others, though, the end of the ban on foreign control immediately dropped, from \$159m a year between 1980 and 1988 to around \$50m a year acted like a starting gun for a new gold rush. According to Some foreign companies were able to live with the the mines and energy ministry, abont 60 foreign companies restriction. RTZ-CRA, which have sent delegations to Brazil has been in Brazil since 1971, for the first time since the end says it has spent around \$10m of last year, almost all of them a year on exploration in recent interested exclusively in gold. years, operating through joint Investment is rising accordventures with local partners. ingly. Mr Navarrette at the The change in the constitu-DNPM says spending on explotion means a lot in terms of ration should reach \$200m a freedom to operate, but the year by the end of the decade. restriction never stopped us The new arrivals should has investing in exploration," says ten the increasing modernisa-Mr Júlio Lameiras Carvalho, tion of gold mining in Brazil, much of which is still carried New arrivals out by wildcat "garinpeiros" working surface deposits. From should hasten a peak of about 300,000 in 1989, the number of garimpeiros has modernisation of gold mining,

dwindled as surface mines have been exhausted; their share of Brazil's gold production has fallen from 90 per cent of the 40 tonnes produced in 1980, to 34 per cent of the 65 tonnes produced last year. As the garimpeiros move on, new entrants will drill deeper for underlying reserves.

Other changes are making CRA's office in Brasilia. "Wa always took a long-tarm view, tha operating environment more attractive. One is the and we always expected that restriction to be lifted eventugreater autonomy enjoyed by the DNPM since 1994. It is responsible for granting and The same is true for some overseeing mining licences and for promoting investment in new arrivals. Barrick Gold, which has been in Brazil for mining. Industry observers say the DNPM was regarded in the three years, says it will spend at least 10 per cent of this past as slow-moving and ineffiyear's \$52m worldwide explora-tion budget in Brazil. "The concient. Its new status, they say, has resulted in faster process ing of licences; Mr Navarrette's stitutional change didn't lead us to increase our budget, but appointment in March was parwe're very happy about it for ticularly welcomed. "Ha has good ideas, he should get the DNPM inin shape," says one operation reasons," says Mr Alan Hill, vice-president for corporate devalopment in executive.

#### **BRAZIL'S MINERALS PRODUCTION 1994**

INERAL	TONNES	US\$m (1992 values)
minitizen	161,900	111.4
sundha	8,280,800	208.6
nafin	953,000	104.5
pel l	4,338,800	103.3
opper	39,674	200,4
romite	147,200	41.4
nemental stones	2,000,000	234.8
	22,500	132.9
	165,651,000	1,853,8
hosphete	3,533,400	220.1
orite	76,200	13.5
peum	876,800	5.6
egnesite ·	279,600	35.2
engenese	2,321,000	138.8
cka/	16,508	- 95.8
miida	- 14,400	13.3
kd		911.5
rtassium	230,400	49.6
70	187,304	174.3

Some observers are concerned that CVRD and other

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BOLIVIA: by Sally Bowen

ment in exploration and devel-

opment of new mines was

under \$5m a year. In 1994, that

tumped to \$15m and last year it.

was \$34m. This year we expect

private companies to put in

The 35-plus foreign compa-

nies, which include a large

number of Canadian juniors

but also soma big names, are

spread across the national ter-

ritory though the bulk of exploration interest is in three

main areas. These are the "Los

pre-Cambrian shield to the east

and the alluvial zone north of

Most of the newcomers are

in search of large deposits of

precious metals: gold or,

increasingly, silver. Mnch

excitement surrounds the San

Simon area, in the extreme east of Bolivia, close to the bor-

der with Brazil. Here Bolivia's

Excalibur, headed by pioneer-ing Corsican-born Mr Jean

But a handful of spectacular

mineral finds, progreas

towards economic stabilisation

and the overhaul of previously

off-putting mining and invest-

ment codes have changed all

A recent poll of mining ana-

lysts placed Argentina first out

of 140 countries as offering the

best opportunities for discover-

ing mineral resources. More

than 50 -mining companies

from Canada, Australia and

that.

lhe

**ARGENTINA:** by David Pilling

around \$45m."

La Paz.

e a contra la contra de la contra

Brazilian companies are sitting on exploration licences for large parts of the country, leaving little room for new metal deposits entrants. The DNPM grants licences for three years, renewable for a further two; if it is not satisfied that licensees are actively exploring the prop-erty, the licence is revoked. "There's a general industry in the past five years. awareness that this system hasn't worked in the past," says another executive, "but tary for mining. "At the start of this decade, annual investthe situation is certainly improving."

Recent changes in corporate income tax and withholding taxes on foreign companies have improved the fiscal posi-tion of foreign operators. But executives say Brazil still taxes heavily. Lika local business-men, they want to see a reduction in the social security and other payroll taxes that add over 100 per cent in additional charges to the cost of paying each worker. Mr Navarrette says tha

DNPM is lobbying for specific Lipes" deposits in the south near the Argentine border, the tax breaks for mining compenies, but any progress is likely to take time.

Other costs hava risen recently. Various government departments like to quote surveys showing that costs of mineral exploration in Brazil are on a par with those in Australia and much lower than in Canada.

Mining executives say this is true outside the Amazon basin. Inside the Amazon, where many foreign companies are looking for gold, transport and infrastructure costs are much higher. "Costs like air transport, drilling, vehicles, are absurdly high," says one exec-

Despite these reservations, foreign executives are unanimously positive about Brazil's prospects. "We are very enthusiastic about Brazil. It's a very good place to be," says Hugh Leggatt of Placer Dome's corporate affairs department in Vancouver. Mr Navarrette hopes more

companies will feel tha same way. With the upturn in Brazil's economy over the past two years, he says, "Brazilian min-ing companies have not been able to supply the needs of local industry." He says the industry needs to invest \$4bn in axploration and \$31bn in production between now and 2010. "To achieve that, we need

in keep improving tha invest-

ment climate

More than 35 companies have lecrest of Vancouver. ioined the latest Prospectors have identified a gold-bearing anomaly at least hunt for precious

mineralisation not known in Bolivia and, so far, no-one It is a measure of the stirring really understands it", he says. According to Mr Teisseire, the of interest in Bolivian mining that investment in emioration daunting security problems in has increased almost ten-fold the lawless frontier zone have now been controlled and agree-"We're sowing the seeds of ments reached with the "barthe future," says Mr Fernando ranguilleros" or informal min-Loayza, Bolivia'e under-secre-

> Mnch further east, in the pre-Cambrian zone, another gold deposit is due to come on etream in October. This is Puquio Norte, a joint venture between RTZ-CRA and Comsur, Bolivia's largest privately-

budget," says Mr John MacLean, RTZ-CRA's chief executive officer in La Paz. This is the first mechanised operation in eastern Bolivia and involves agitation leaching. The partners bave invested some \$20m and Paquio Norte is expected to produce some 35,000 oz of gold

star in the Bolivian mining firmament. Official outpot rose from around 13 tonnes in 1994 to 15 tonnes last year (continuing smuggling pushes that figure rather higher) with exports earning \$180m, more than any other metal. Battle Mountain'a huge Inti Raymi operation -the second largest gold mine in

Marc Teisseire, is in a joint Latin America after Peru'e exploration venture with Eag-

**Exploration stampede** 

45km by 15km but "it's a ers already digging out gold with nick and shovel.

owned mining company. "It's on schedule and within

of output by value. annually from next year.

Gold is undoubtedly the new tonnes of lead.

Yanacocha - is responsible for the greater part of this. "But within the next four years or so, Bolivia could easily have another eight gold

mines on stream," says mining consultant Mr Charles "Scotty") Bruce. The gold-led recovery is a welcome change from the years of depression which followed the collapse of tin prices in the 1980s. Last year, minerals generated \$580m with \$483m sold outside the country (17 per cent more than in 1994). some 44 per cent of total export earnings. While gold accounted for around a third of that, zinc output topped 141,000 tonnes with exports earning \$146m or 27 per cent of the total as tin

July 12, private sector prospectors will have a fourth chance to acquire properties via joint slipped to 17 per cent. Silver, ventures or leasing. for which Bolivia has been famous since colonial times, is Capitalisation (by which a "strategic partner" bids for 50 undergoing a revival and, in

LATIN AMERICAN MINING III

per cent of the state assets and brings in much-needed invest-1995, accounted for 14 per cent ment) of Comibol's tin and antimony smelters al Vinto Last year's sharp increase in zinc output (some 45 per cent up on 1994 and a near-record) bas suffered considerable delay. Much of this responds to resistance by workers in the Huanuni and Colquiri mines ilmost entirely due to the new Bolivar mine, a joint ven-ture between Comsur/RTZwhich Comibol would like to CRA and state-owned Comibol. include in the Vinto package. Both are world-class, if rela-tively small, mines with many The private sector partners have invested \$15.5m in a new concentrator plant since sucyears of life ahead of them. cessfully bidding for the ailing Renison Gold of Australia. state mine in 1993. This year, Giencore of Switzerland and in full operation, Bolivar Parana-Panema of Brazil, all should produce 38,000 tonnes of pre-qualified to bid for Vinto. zinc, 1.5m oz of silver and 500 are believed to maintain a keen interest. So far, however, the hostile workers (970) of them between the two mines) have

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programme that Comibol has

embarked on. The once-mighty

state-owned company, which a

few years ago produced almost

two-thirds of all Bolivian min-

eral output, is already dramst-ically reduced: last year it was

responsible for under 7 per

cent of all production. Small

miners and cooperatives

(which group hundreds of indi-

viduals, mainly working in

extremely primitive condi-

tions) accounted for 36 per cent

of output and medium-sized

mining companies for the

lion's share, 57 per cent, five

its undeveloped deposits. On

**Comibol continues to auction** 

per cent higher than in 1994

Bolivar is an example of what can be achieved through the comprehensive divestiture inhibited on-site inspections.

speculating in the high-infla-

tion economy, or reaping hand-

The market-oriented admin-

barriers have fallen The removal of Argentina's bias against century blocked foreign investforeigners has opened the floodgates ment in non-renewable resources. The gap left by for-eign capital had not been filled by local investors, who pre-A few years ago, Argentina did not figure on the mining map. exploring Argentina's almost

virgin territory. Foreign interest has been ferred to make money by "spectacular", according to Mr Pillol Cases, president of the Argentine chamber of mining some profits from the counentrepreneurs. He predicts try's rich agricultural land. that, based on current trends, Argentina could ace \$3bn in mining investment over the next five years. Mining officials say the country could be

exporting \$1hn worth of minerals annually by 2000.

Interest in the sector was sparked by recent changes in

alist tendencies had for half a capital equipment exempt of value-added tax.

The federal nature of the constitution, which gives each of Argentine's 24 provinces ownership rights over mineral resources in their jurisdiction, has been partially overcome by capping the royalties that provincial governments can charge. Many mining executives say that, at least on paper, Argentina's mining code is among the most attractive in

istration of President Carlos Menem has moved to reverse decades of neglect by seeking to promote mining investment. the world. Such changes have given New laws offer foreign comparise to extensive exploration, nies reasonable and constant both in the western Andean tax levels for 30 years, as well provinces, which share a as several investment incen-

operations to 49 per cent,

participation in mi

#### VENEZUELA: by Raymond Colitt

## First steps on the ladder

Mining companies are to be lured with incentives devised for the oil industry

By removing foreign exchange controls and implementing an overall economic stabilisation plan, Venezuela is trying to reassure foreign mining companies interested in the mineral-rich Guiana Shield, the mass of rock underlying almost half of Venezuela.

For decades the mining sector has been overshadowed by the Venezuelan oil industry. "The sector has been abandoned," saya minister of energy and mining, Mr Edwin Arrieta. "But wa are datermined to jump-start it by implementing proper legisla-

tion and opening the doors to foreign investment." with a new state holding com-pany similar to PDVSA in the Congress is looking at legis-lation to open up the mining sector, currently dominated by tha state-owned Corporación Venezolana de Guayana (CVG). It would introduce a regulated tender process for mining con-cessions instead of tha old practice of allocating properties on a "first-come basis". Investors would team up

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pany similar to PDVSA in the oil sector, rather than with CVG or the ministry of mining. The lack of a modern mining law is a serious drawback to operating in Venezuela," says Eric van Heyst with Monarch Resources, the largest private gold producer in Venezuela and one of the companies that antered into a joint-venture with the CVG in a first semi-official attempt to attract foreign investment in the 1980's. Monarch, which set up shop in Venezuela in 1987, operates and owns a 51 per cent share in the Revenin gold mill, which in 1994 produced 28,374 ounces. Beginning in May, 10,000 tonnes of hard rock feed per month from El Callao Mining

Corporation's Lo Increible property will boost the mill's gold output by soma 25.000 ounces over the next year. One disincentive could be a plan to raise royalties from 1 to 4 per cent. However, Mr Arrieta says he is having sec-ond thoughts about this. "Our main concern is to be competitive on the international level," he says.

Among forsign companies who are closely studying the government's thinking is Canada's Placer Doma, which recently presented its minori-ty-share holding partner CVG with a half-billion dollar development plan for Las Cristinas gold deposit, the largest identified in Venezuela. With estimated mineable

reserves of 8m ounces of gold. the operation could produce an average of 450,000 ounces of gold per year for 14% years at an average total cost of \$310 per ounce, net of copper credits. A final authorisation hinges on the completion of talks to clarify the fiscal and regulatory regime. Mr Arrieta said that Placer Dome and the mining sector in general could also be given a special investment regime with "certain tax concessions" similar to those in the petroleum sector.

As well as gold, Venezuela sees potential in other minerals. A recent find of significant kimberlite deposits in the sooth-eastern state of Bolivar has increased hopes of boosting diamond reserves and production from its current 296,116 carats.

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E Cerro Vanguardia (gold/silver)

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#### IV LATIN AMERICAN MINING

#### PERU: by Sally Bowen

# **Everything must go**

Copper and other reserves are to go under the hammer in a series of state auctions

After a quietish spell, mining privatisations - which jumpstarted foreign investor interest in Peru - are set to recommence with the auction of the important copper deposit of Antamina in mid-May.

Antamina marks the unofficial kick-off of a second attempt to transfer state mining and refining giant Centromin to the private sector. After failing to attract a single bid when offered as one unit in May 1994, Centromin has now been split into a series of production units and undeveloped prospects. "I have no doubt whatsoever

that the Antamina sale will be successful," says Mr Juan Carlos Barcellos, president of Centromin and head of ths Cepri, or special privatisation

Several major international companies are completing geoogical studies prior to the April 36 deadline for pre-qualification.

Located in the department of Ancash north-east of Cerro de Pasco. Antamina is one of Peru's prime copper prospects. Its 129m tonnes of proven and probable reserves also include important quantitles of zinc. silver and molybdenum. Potential reserves stand at 913m tonnes, according to Centromin officials.

Peru is under pressure from multilateral organisations -

to speed up privatisations, so it seems likely that the ambibous timetable for Centromin will broadly be adhered to. Antamina is due to be followed by Quicay, a prospect in central Pasco department which

has potential reserves of 15m tonnes of gold-hearing ore averaging 1.84 grams per tonne. Two of Centromin's seven mines, polymetallic Yauricocha and the Casapalca silver and zinc mine, will follow. Mr

Barcellos says there will be no more than six weeks between anctions. Centromin's first stage sell-off is scheduled to culmi-

nate with bidding for the refinery complex at La Oroya. Rather than outright sale of assets or shares, privatisers will seek a capital injection to divest themselves of the hardto-sell glant.

La Oroya is one of the world's few metallurgical complexes with the capacity to refine highly complex concentrates. It consists of two smelters, four refineries and a series of related circuits which together produce five main metals (copper, zinc, lead, silver and goldl plus 17 by-prod-

ucts and industrial chemicals. The present smelter was commissioned in 1922 by the US-owned Cerro de Pasco Corporation, replacing the original. 1906, installation, Not surprisingly, the elderly complex (expropriated in 1974 by the then military government of General Juan Velasco) bas built up a series of severe environmental liabilities over the

years. These were instrumen-tal in deterring potential bidand its current account deficit ders two years ago.

#### To improve matters this time. Centromin has eight World Bank-recommended environmental consultancies belping define which responsibilities will be assumed by the Peruvian state and which by the new owners. Part of the

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revenue from privatisation will be set aside for an environmental fund. Centromin is Peru's largest producer of zinc, lead and silver. Last year, its mining and smelting operations produced

almost 90,000 fine tonnes of lead, 68,000 tonnes of zinc, 66,000 tonnes of copper and 613 tonnes of silver. Centromin also sold more than 360,000 tonnes of zinc concentrates. Last year's sales were almost \$540m, \$90m more than the 1994 total thanks to higher international prices. Profits, at

\$58m, were sharply higher. Transfer of Centromin to private sector ownership should boost long-absent investment in modern machinery and bring new technology to mines and refineries. Already-privatised deposits such as the copper mines of Tintaya and Cerro Verde (now owned and operated respectively by Magma and Cyprus Amax) bave sharoly raised output. Tintava by an impressive 40 per cent last year alone.

New investments are already making an impact on overall mining production figures. Copper ontput was 10.8 per cent higher in 1995 than the previous year, at just under 405.000 tonnes. Silver was 9.6 tonnes of sulphides plus 678m. per cent higher with output of 66,789,000 oz. Tin, too, was 10.1 tonnes of leachable reserves. Engineering studies are under per cent np as privately-owned Minsur kept up expansion. way to determine how best to But gold has been Peru's develop them.

most visible success story over the past three years. The extraordinary deposit of Yanacocha, in the northern Andean department of Cajamarca, continues to yield more gold-rich anomalies. A third mine has started prodoction this year, and is conservatively expected to boost 1996 Yanacocha out-Dut to 625,000 oz.

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Next year, when "Project X" comes on stream with a new plant and leaching pads and a fresb financing package, output will leap. The Yanacocha joint venture

hetween Newmont Mining of the US. Peru's Buenaventura and BRGM of France promises to remain the largest - and, with cash costs of under \$120 per oz, easily the most profitable - gold mine in Latin America for a long time. Not all Peru's best prospects

for the future depend on newcomers, bowever, Asarcoowned Southern Peru, the oldest-established foreign mining concern in the country and producer of more than 60 per cent of Peru's copper, is substantially increasing output A new solvent-extraction/electrowinning plant is already functioning at Sonthern's Toquepala mine; it will produce some 39,000 tonnes of copper cathodes this year, equivalent to 9 per cent of national output. Southern Peru is also considering a hig expansion of its two huge open-pit mines. Last year, it announced a 69 per cent increase in proven and probable reserves to a total of 1.3bn

Canadian mining executives are tries.

CANADIAN MINING COMPANIES: by Bernard Simon

tion and development poten-

But a number of special fac-

Geography is one. Santiago

stake in Cuba's higgest nickel

The southward stampede

cern about mining's future

started during a period of deep

in Canada. "We in the mining

industry are under siege," Mr

John Willson, Placer Dome's

chief executive, told a mining

and metallurgy conference in

1993. "We are nacking our

bags and heading elsewhere."

three main issues: tightening

environmental curhs, land

ownership disputes, and high

A maze of environmentat

laws - including overlapping federal and provincial jurisdic-

tions - have slowed, and in

some cases killed, new mining

projects, Industry confidence

sank to its lowest ebb in 1993

when British Columbia pro-

claimed a protected wilderness

area on the site of the pro-

taxes.

The complaints centred on

weighing the pros and cons of going south

tial has been well-known for Mrs Leticia Reid, a Mexican many years. The thing that tiving in Toronto, earns her kept mining companies out living by teaching Spanish to was the relatively unstable Canadian mining executives. political climate." "I'm as husy as I'd like to be," says Mrs Reid, who has 15-20 tors have also fuelled Canapupils at any one time.

dian interest. The demand for her services reflects the passion with is just one time zone ahead of which Canada's mining indus-Toronto. Mr Ian Delaney, chief try has embraced Latin Amerexecutive of Sherritt Interna-tional, which has a 50 per cent ica. The enthusiasm ranges from the higgest producers. such as Barrick Gold, Cominco mine, notes that it takes less and Placer Dome, to modest exploration ontifits, such as time to fly from Toronto to Havana than to the company's three-year old Ecnadorian Minerals, which is doing a fearefinery at Fort Saskatchewan, Alberta sibility study on a gold deposit

in Ecnador The Canadians are active in almost every country in the region. Canada bas in some recent years been the biggest foreign investor in Chile. thanks largely to mining. But Canadian geologists are also scouring Panama, Nicaragua, French Guyana and Suriname. According to Metals Economics Group, a consultancy based in Halifax, Nova Scotia, the proportion of Canadian mining companies' exploration budgets earmarked for Latin America soared from 16 per cent in 1992 to 42 per cent in 1995, the highest among industrial comtries.

Like their US. Australian and European counterparts, the Canadians bave been attracted by the improved for-

posed Windy Craggy copper for C\$510m (\$370m) after an inimine in the remote Tatshenshini Valley. Unresolved aboriginal land claims, sometimes involving late 1980s and early 1990s pushed the mining tax rate to 51 per cent in British Columbia, and not much lower in other provinces. Placer Dome estimates that new BC tax measures cost it an extra C\$630.000 in 1993. The mood in 1993-94 was

reflected in Falconhridge's decision to mova its main exploration office from Vanconver to Santiago. Severai other companies threatened

The rush south was triggered by concern about Canada's own mining sector

similar action

Since then, however, the climate has improved. "We do see light in Ottawa," says Mr George Miller, president of the Canadian Mining Association. The cnrrent natural resources minister, Ms Anne McLellan, comes from oil-rich Alberta, and has emerged as a loughty advocate for the min-

ing industry. The federal government began a review of mining regulations at the end of 1994 which is expected to address several industry con-CETUS.

The provinces have shown a greater enthusiasm for mining development in the past year or two as the public's priorities have swung from conservation to job creation. Several mine applications have been approved, including in British

Columbia

Time to learn Spanish Perhaps the higgest shot in the arm to the Canadian industry has come from two big discoveries - diamonds la the Northwest Territorics, and nickel at Voiscy's Bay, Labra. . . . . . . .

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An environmentai review panel is currently studying plans by BHP, the Australian group, for a diamond mine in,. the Lac de Gras region, 300km north-east of Yellowknife. Vnisey's Bay is set to become one of the world's biggest and. jowest-cost nickel producers. Production is expected to start in 1999 or 2000, depending. how quickly the federal and Newfoundland governments give the go-ahea

"People will be watching to see whether approvals are given in a relatively straightforward fashion," Mr Milig" 58.**5**5.

Despite its drawbacks, Canada retains significant attractions. Brook Hant, the US consultancy, estimated in 1993 that the average miner at Highland Valley, a large British Columbia copper mine, carned 2.6 times more than his. counterpart at Chuquicamata in Chile. However, that was more than offset by estimatesthat the Canadian miner produced 4.6 times more ore each" year.

**Canada's** efficient transport system means that mines need carry lower inventories of. parts and supplies than many --Latin American operations. An -absence of exchange controls and a transparent public-sec--.

tor decision process also bein. What's more, some mining executives would be delighted if they could be spared the time and trouble of learning a foreign language. Mrs Reid says that her pupils are intelligent and fun, but that learning Spanish "is not as easy as they thought it would be".

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## The opening of Argentina

#### Continued from page III

3,500km frontier with mineralrich Chile, and in the southern provinces of Patagonia.

Vying for the prize of Argentina's higgest mining project are two copper-gold deposits in the northern province of Catamarca - Baio de la Alumbrera and Agua Rica. Alumbrera, which is expected to yield

180,000 tonnes of copper and 640,000 troy ounces of gold for

19 years, is 50 per cent owned by MIM Holdings of Australia. Fellow partners in the project, which will cost about \$900m to

develop, are North of Australia and Rio Algom of Canada, with 25 per cent each. Agua Rica, a deposit discovered just 35km from Alumhrera, could be even bigger.

A third project, Fatamina. which is owned hy RTZ-CRA, could also rival Alumbrera and Agua Rica in size, Meanwhile,

bids for an exploration tender in a large area adjacent to the star Catamarcan projects are due this month.

At the other end of the country, in the Patagonian province of Santa Cruz, the discovery of Cerro Vanguardia, a 9m-tonne gold deposit with an estimated 10 grams of gold and 110 grams of silver a tonne, has attracted more than 20 international prospectors to this southern region. Cerro Vanguardia is

joint-venture between Argentine energy-hased conglomerate Perez Compane and Minorco, the Luxembourgquoted subsidiary of South Africa's Anglo American. Barrick Exploraciones Argentinas, a subsidiary of

Canada's Barrick Gold, already has more than 10 properties. Canadian companies, especially smaller ones, have been the quickest to sense opportunity in Argentina, as in the case of international Musto which last year cashed in its stake in the Alumbrera project

owned by Mincorp, a 50:50 tial outlay of only US\$9m. US companies have generally been slower to join the exploration frenzy, but FMC Lithco is developing a large lithium deposit, also in Catamarca.

Such stirrings within the mining sector do not mean there are no problems to over come. Argentina has no track record in the mining industry and no mining tradition. Foreign companies investing here either have to train locals or bring in mining experts from their own country or from Chile, Bolivia and Peru.

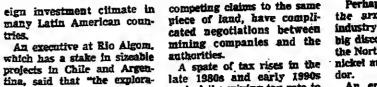
Some of the bigger compa nies that have not yet dipped their toe in Argentina say they are waiting to see how well current projects develop and how new mining regulations are interpreted in practice. Some foreign executives that

have already made the plunge



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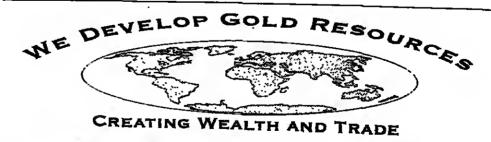
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that cials, with whom mining busi ness is often done, sometime lack expertise to make quick and sensible decisions. Neither do most of the min ing provinces have the necesary infrastructure. The Alumhrera project is having to construct a 230km mineral pipeline to transport concentrate from Catamarca on its way to the port of Rosario, 800km further east. Argentina also lacks refining capacity. However, the government is seeking to address remaining problems. It hopes, for examble, to conclude a deal with Chile, which would allow com-panies in Argentina or Chile to exploit contiguous deposits on the other side of the border without having to renegotiate erms. Mr Carlos Magariños, mining

and industry accretary. in April secured \$800m in soft credits from the Inter-American Bank and the Eximbank of Japan to belp finance new pro iects.

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**CURRENCIES AND MONEY** YOUND SPOT FOR 2.3 WORLD INTEREST RATES DOLLAR SPOT Closing mid-point Apr 10 Day's Mid high kow Change on day Bid/offer spread MONEY RATES One meath Rate %PA One year Rate %PA Three months Rate %PA Benk of One year Rate %PA Apr 18 J.P Morgan Ciesing nid-soini Change on day Bid/offer spread Day's mid high low One Rate Three Rate April 18 Dis. rate %PA Over Sha One Londo. One Barope Austria Belgium Denstark France Germany Grance Instand Kaly Lasembourg Netwariand Norway Portugal Spain Netwariand UK Eci Spain Sweden +0.0422 644 +0.1634 301 +0.068 110 +0.069 081 +0.0221 504 +0.0056 841 +0.0056 841 +0.0055 649 +0.0015 670 +0.28 875 +0.1634 801 +0.0073 551 +0.0073 551 +0.0073 551 +0.0073 551 +0.0059 553 +0.0059 553 16.0810 16.0242 47.0125 48.7850 9.8197 8.7908 7.2260 7.1500 7.7373 7.7317 2.8271 2.2271 968.955 365.096 0.9562 0.9655 2.365.82 2.374.83 47.0125 48.7850 2.3614 9.8285 2.3614 9.8285 10.2199 10.1379 1.8555 1.8455 16.0725 46.9713 8.8153 7.2135 7.7537 2.2851 306.224 0.9677 2280.05 246.9713 2.5561 9.0542 234.614 190.313 1.01653 1.8560 2.3 15,9663 2.7 44,6563 2.1 8,7671 0.7 7,201 2.0 7,7182 2.0 2,2597 1.0 0,9656 -4.2 2403,4 2.7 45,6585 3.0 2,597 1.1 9,8281 -2.2 235,944 -2.0 191,110 -0.1 10,1882 4.1 1,8859 1.3 1,2158 Beigiam week ago France week ago Germany week ago Ireland week ago Netherlands week ago US Setzeeland week ago US week ago BUSEESSEESSEESSEESSEE Europe Austria Belgtum Dermark Finland France Grocce Ireland Italy Linechicourg Natherlands Natwey Portugel Spain Sweden Sweden Swetzerland Lik Ecu SDRT -0.0483 675 - 892 -0.1 300 - 700 -0.028 070 - 100 +0.0011 493 - 688 -0.0198 080 - 100 -1.21 250 - 370 +0.006 675 - 680 -1.4 200 - 700 -0.0265 840 - 845 -0.129 540 - 845 -0.259 540 - 840 -0.57 350 - 450 -0.57 350 - 225 +0.0102 173 - 180 +0.0057 210 - 225 +0.0102 173 - 180 +0.0057 445 10.5940 10.5475 30.9700 30.8100 5.8120 5.7853 4.7594 4.7090 5.1138 5.0955 1.5067 1.4623 241.720 240.450 1.5740 1.5956 1571.50 1584.10 30.9700 30.8160 1.5951 1.5770 154.570 154.020 154.570 154.020 12255 12143 1.5208 1.5150 1.2455 1.2457 2.2 10.5299 2.1 30.78 1.5 5.784 1.6 4.7346 1.4 5.0931 2.1 1.4874 -6.3 246.335 2.4 1.5697 -4.0 1585.85 2.4 1.5735 2.4 1.5735 0.5 6.4848 -2.4 128.08 -2. - 805 - 125 - 198 - 208 - 570 - 861 - 400 - 584 - 136 - 125 - 621 - 744 - 435 - 762 - 582 7.00 7.00 3.70 3.70 4.50 5.00 18.0413 45.8553 8.7999 7.2091 7.7408 2.2501 0.9669 2388.9 45.9553 2.5497 0.9452 235.038 190.625 1.3466 105.3 107.1 107.4 81.2 109.1 108.5 66.6 338737 2.50 3.00 -2.50 3.00 28 27 22 07 1.5 10.5709 30.895 5.801 4.7468 5.1029 1.5031 242.985 1.5689 1574.3 30.997 1.5809 6.4901 154.208 125.85 6.7091 1.2187 1.517 1.2447 344% #445 548% 25 148% 24 105.3 107.4 108.2 81.6 108.7 108.7 108.7 74.5 107.4 107.5 98.7 107.4 107.5 98.7 107.4 107.5 98.2 74.5 107.4 107.5 98.2 115.0 88.9 10.5904 30.9500 5.8085 4.7581 5.1090 1.5057 241.510 1.5682 530.9500 1.5682 54931 154.590 1.25400 6.6980 1.2223 1.5177 1.2439 10.3454 30.24 5.715 4.6891 1.4712 250.31 1.5613 1526.75 30.31 1.57.54 157.54 157.54 157.55 1.1795 1.5055 1.5055 1.5055 45.6388 8.8238 7.610 2.2192 27 0.9588 2458.1 45.7363 2.4779 8.7304 192.773 10.1704 1.7751 0.9 -8.9 2.7 8.0 1.1 5% 9% 2% 18 5% 5% 74.1 107.1 97.9 95.8 81.7 88.5 112.4 83.1 940 940 300 150 150 500 050 050 2 3 12 12 13 13 13 -23 -1.7 -0.1 4.1 500 us week ago Japan week ago 1.2207 1.2169 1.2201 +0.0031 194 - 207 1.2025 1.2188 S LIBOR FT Lon (Peac) (PS) (CS) (CS) (S) 1.5186 1.5041 2.0875 11.2498 1.5177 Americas Argentina Brazil Canacia Mexico USA Peoloc/M Australia +0.0107 153 - 178 +0.018 036 - 045 +0.0183 656 - 693 +0.033 432 - 560 +0.0102 173 - 180 54 54 1.5204-1.5062 2.0748 11.2946 1.5206 1.5148 1.5001 2.0033 11.2358 1.5150 week ago 5½ 5<u>1</u> +0.003 987 - 998 +0.002 910 - 911 +0.0018 520 - 525 -0.028 100 - 150 (Peso) (RS) (CS) # Peso) (S) 0.9993 0.9911 1.9623 7.4125 0.9999 0.9912 1.5655 7.4150 0.9995 0.9995 1.3814 7.4070 US Dollar CDs week sgo IECU Linked Ds week sgo SDR Linked Ds 5.13 5.13 42 42 42 32 32 31 5.15 5.18 49 49 31 2.0658. 0.4 2.0631 1.517 0.6 1.5158 0.8 0.5 0.8 84.5 964 1.9821 7.4147 2.0551 0.1 1.3824 0.0 -0.3 1.3852 -0.2 83.B 97.A +0.0196 305 - 417 +0.0783 355 - 422 +0.8281 158 - 015 +0.227 440 - 511 +0.325 245 - 428 +0.226 345 - 837 +0.0108 102 - 128 +0.2657 319 - 020 +0.0687 675 - 857 +0.0143 364 - 369 +0.0687 675 - 857 +0.2771 356 - 198 +0.2718 422 - 756 set bils and 1.945 1.9326 11.760 11.760 52.0500 51.8140 4.8573 4.8275 182.820 161.970 2.2006 2.2062 2.2026 2.2026 2.2062 2.2026 2.2022 2.2035 5.6813 2.1395 5.6432 1184.57 1180.34 14.2752 41.1383 38.4890 58.2010 1.9408 11.7388 51.9037 4.8476 162.936 3.7881 2.2115 39.7170 5.5907 2.1377 6.4768 1162.93 1162.93 41.2027 36.3586 +0.0037 783 - 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Bide CROSS BATES AND DERIVATIVES FT GOLD MINES INDEX EXCHANGE CROSS RATES % stag statute titles Corp 21/12/95 \$be % of Gald BFT S2 week Nigh Law Apr 19 DKr Apr. 10 P/E DN NK **C\$** 100 53.26 60.58 20.56 48.52 1.974 18.38 47.67 20.02 24.68 46.18 25.32 46.97 22.71 30.94 28.94 28.94 38.50 18,77 10 11,37 3,858 9,108 0,370 3,449 8,946 3,757 4,632 8,868 4,752 8,868 4,752 8,815 4,283 5,807 5,431 7,225 16.51 8.796 10 3.393 8.010 0.326 3.034 7.899 8.305 4.075 7.824 4.190 7.754 2.750 5.108 4.776 8.356 4.985 2.592 2.947 1 2.361 0.096 0.894 2.319 0.974 1.202 2.285 1.205 1.405 1.405 1.473 2.061 1.098 1.248 0.424 1 0.0471 0.379 0.962 0.413 0.509 0.952 0.522 0.522 0.522 0.522 0.522 0.522 0.525 0.568 0.568 0.568 5087 2700 3089 1042 2459 100-\$31,1 2415 1014 1251 2340 1283 2380 1151 1588 1486 1851 5.442 2.900 3.236 1.119 2.504 1.090 1.343 2.513 1.378 2.555 1.236 1.575 2.095 20.98 11.18 12.71 4.312 10.10 0.414 3.855 10 4.200 5.3178 9.859 9.854 4.765 6.491 6.077 406.2 215.9 245.4 83.28 196.6 7.996 74.45 193.1 61.12 100.1 102.6 190.3 92.02 125.4 117.3 158.0 3.949 2.104 2.392 0.812 1.910 0.078 0.726 1.824 1.825 0.575 1.824 1 1.855 0.567 1.222 1.143 2.129 1.134 1.290 0.438 1.035 0.042 0.391 1.015 0.425 0.985 0.985 0.539 1 0.464 0.6518 0.820 3455 184.1 209.3 71.03 187.7 8.810 68.18 85.29 164.7 68.18 85.29 159.8 87.49 159.8 87.49 159.8 87.49 159.8 100.9 100.0 2.567 1.384 1.573 0.534 1.260 0.051 0.477 1.258 0.820 0.841 1.200 0.6858 1.220 0.580 0.6804 0.752 499.5 258.1 302.6 102.7 242.4 0.857 91.78 238.1 100. 123.3 238.7 125.5 234.6 1134.5 144.5 142.3 21.63 11.54 12.12 4.451 10.51 0.427 5.679 10.32 4.235 5.344 ...10 5.462 10.17 4.918 6.700 6.266 8.336 4.403 2.348 2.657 0.905 2.138 0.087 0.509 2.099 0.822 1.087 2.053 1.115 2.053 1.115 2.053 1.1274 1.274 1.295 3.232 1.722 1.958 0.654 1.558 0.954 1.558 0.954 1.558 0.756 1.483 0.818 1.518 0.734 1 0.935 1.244 A.T. 1772-55 France LLAR (IMM) \$1m points of 1009 Mirca (13) Anista (13) Anistalada (5) Mirth Aqurica (12) Low 94.52 94.34 94.04 2035.62 +21.2 16.12 2561.17 +0.0 5.60 1967.63 +18.6 34.50 26.59 10.08 61.33 Sett price +0.01 +0.04 +0.05 Est, vot Open mt. Germitig Ireland Italy Netheria Nortuge Spain Sweden Switzeri UK, Carada US Japan Eco 2.61 2.48 0.59 36.05 3553.86 2272.74 26.07 2927.34 2096.51 63.56 2186.39 1488.94 Open High 94.52 94.35 94.05 94.53 94.39 94.11 94.54 94.40 94.12 40,448 58,252 126,963 Jun Sep Dec Copyright, The Roy Times Limited, Roy 31/12/00 ed 1996. "FT Gold Miner nk of The Fire Times Lin I US TREASURY BILL FUTURES (MM) S1m per 100\* 95.02 94.85 94.59 95 01 94.85 94.62 95.02 94.86 94,63 95.00 94.84 94 59 +0.01 +0.04 +0.06 1,69C 969 12C Jun Sep Dec ISSUES: EQUITIES LONDON RECENT price paid p up Ma. SED (Cm.) Close price P Div. Gas P/E cov. yicl net Nel div. Low Stock 95 Advent VCT 95 Briden Sent Cos 230 Cambridge Wir NV 95 Capital Co's VCT 85 Carbinations VCT 85 Cabactions 95 Closed Bros VCT 95 Closed Bros VCT 95 Fi Group 80 Bentonn VCT 95 Hill Brown 96 Hill King Co 90 Harlinghem Prope 75% al.P Group 80 Parizes Alle VCT 96 Paizes 17 Paulite Hzn Wrt 96 Parizes Alle VCT 96 Paizes 10 Canater VCT 99 Sociale Ada VCT 90 +8 thv16, 21 79 51 W05 82 07 187 1 Lv1.8 30 23 17.8 882788888392888 Danish 82 0 BUSINESSES FOR SALE 270 100 235 : 73.9 Appear in the Financial Times I D-MARK FUTURIES (IMM) DM 125,000 per DM Sett price Change 0.6638 --0.0043 0.6877 --0.0045 0.6716 --0.0043 High 0.6690 0.6724 0.6735 Open int. 77,654 3,254 388 39.4 on Tuesdays, Fridays and Saturdays. Low 0.8636 0.8675 0.6727 Est.vol 44,168 368 11 17 1.7 Open Apr 18 E apot 1 sets 8 sats 1 yr ----Cose 1.5145 1.5138 1.5125 1.5060 FT GUIDE to WORLD CURR 0.6681 - Prov. close --1.5190 1.5183 1.5171 1.5107 Jurr Sep Dec -The FT Guide to World Currencia table can be found on the Marke 85 95<sup>1</sup>/<sub>2</sub> 42 80 101 +11 234<sup>1</sup>/<sub>2</sub> +1<sup>1</sup>/<sub>2</sub> 15 100 +2 85 101 +1<sup>1</sup>/<sub>4</sub> 35 101 +1<sup>1</sup>/<sub>4</sub> 35 101 +1<sup>1</sup>/<sub>4</sub> 100 . 15 205 For further information or to advertise 0.6735 in this section please contact page in today's edition 14 15.5 RANG PUTURIES (MM) SFr 125,000 per SFr E \$1 Karl Loynton on +44 0171 873 4780 or 0.8190 0.8265 0.8341 -0.0068 -0.0068 -0.0068 0.8280 0.8188 0.8258 0.8345 Jun Sep Dec 0.8258 27,023 282 15 40,085 1,482 670 Lesley Sumner on +44 0171 873 3308 103 102 102 4 518 21.16 1.3 4.5 22.0 15.6 v1.25 UK INTEREST RATES III. JAPANESE YEN FUTURES (MM) Yan 12,5 per Yan 100 High 0.9456 0.9650 0.9649 Low 0.9396 0.9611 0.9630 LONDON MONEY RATES Change Open Sett price Estvol Open Int. PINANCIAL TIMES 0.9450 0.9550 0.9649 0.9394 0.9506 0.9617 -0.0054 -0.0068 -0.0067 46,787 508 ,120 70,949 2,159 1,175 Over-7 days notice One Three Jun Son Date Apr 15 One Allemative Investment 6-55 33:33 33:33 8-55 64 - 54 58 - 54 54 - 54 54 - 54 54 - 54 0 - 54 Interchanik Starting Starting COs Transury Bills Bank Bills Local authority da 84-8 67-67 64-59 84-64 6 - 54 0 - 4 . -III, STERLING PUTT 2 THO DOC. SOO DAT C 54 - 51 64 - 51 1\_5135 1,5120 1,5120 -0.0038 -0.0038 -0.0068 1.5190 1.5178 1.5160 17,479 3 .6 63,701 153 - 35 1.5160 1.5178 Jun Sep Dec 1.5136 5월 5월 0 5월 5월 - 5일 5월 - 5일 512 - 54 rity depail.

This notice is issued in compliance with the peop

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nes in marke	III PHILADELPHIA SE 2/3 OPTIONS 531,250 (carb per pound)	Cents of Tex day, (\$100,000) 2 <sup>1</sup> / <sub>2</sub> 5 <sup>1</sup> / <sub>2</sub> 5 5 4 <sup>3</sup> / <sub>4</sub> Cents of Tex day, under \$100,000 is 2 <sup>1</sup> / <sub>2</sub> / <sub>2</sub> / <sub>2</sub> , Depusits whicheves for cents 1 funct. Any starting of depusit on Arr 18, 570027m, ECRO Start (and Still, Scout Firemon, Males up day	European	issued and to be issued, to be admitted and that dealings in the Ordinary Share	to the Official List. It is expected that admission to the Official List will become effective as will commune on 25th April, 1996.
	Price Apr May Jun Apr May Jun	Are, toolar rate of Bound on the Eroscolar 2 applic Subsection to the Stip. Export Prences, Male up day Mer 28, 1986, Agreed rate for period Apr 28, 1988 to Mer 28, 1988, Schemes 8 & B 7.56pc. Networks rate for period Mer 1, 1996 to Mer 28, 1998, Schemes M & V 6.135pc. Frence House Base Rate 8.3pc trop April 1, 1995	Investment Bank Italian Lina 500 Billion		I. d
	1.490         2.70         3.04         3.44         0.12         0.45         0.89           1.500         1.66         2.37         2.76         0.26         0.73         1.23           1.510         1.15         1.75         2.24         0.43         1.10         1.69           1.520         0.81         1.24         1.74         0.89         1.59         2.13           1.520         0.26         0.84         1.32         1.54         2.18         2.13	BANK OF ENGLAND TREASURY BILL TENDER	Floating Parts Notes due July 1997		
	1,520 0,81 1,24 1,74 0,89 1,59 2,13 1,530 0,26 0,84 1,32 1,54 2,16 2,68 Provious day's vol., Calls 1,696 Puts 11,730 , Prev, day's open Int., Calls 132,531 Puts 161,083	- Apr 19 Apr 12 Apr 19 Apr 12 Billin die adlier \$2000m 2500m Tax management saler \$2,7650% 5,7650%	Notice to the Holders		M & COPTHORNE HOTELS PLC
·**		Total of applications £5406a £5520m Aux rels of discount 5,7902% 5,7963% Total allocated £1000m £1000m Amange yield . 5,8750% 5,8807%	Notice is hereby given that the Notes will carry an interest Rate of 9/4375 %		Wies under the Companies Acts 1985 and 1989 with Registered No. 3004377)
	BANK RETURN	Mill scorpted bid 1985,555 1986,555 Offer at new meder 11000m 21000m Allotanet at mill livel 30% 78% Jan. accept. bid 182 days	per annum for the period 18.04. 1996 to 18.07.1996.		& Copthome Hotels plc and its subsidiaries consists of the
	BANKING DEPARTMENT' April 17, 1995 decrease for week		<ul> <li>ITL 119,280</li> <li>per ITL 5,000,000 nominal</li> <li>ITL 1,192,795</li> </ul>	ownership and management	of hotels.
	Linbilities         £         £           Capital         14,553,000         1,224,518,583         -67,767,068           Public deposits         1,224,518,583         -67,767,068         -67,767,068	BASE LENDING RATES	per ITL 50,000,000 norminal		Sponsored
	Bonkers deposits 1,823,873,563 -201,896,209 Reserve and other accounts 3,264,457,945 +198,018,962		Luxembourg, April 22, 1996	Baring Br	others International Limited
	5,327,404,192 -71,634,295 · Assets Government securities 1,340,675,775 +167,040,000	Adian & Company		0	
•	Advance and other accounts 1,781,324,892 +161,121,709 Premise ecolometric and other secal 3,194,141,733 -427,857,912	Bark of Bards		Placing of 64,748,	202 Ordinary Shares of 30p each at 278p per share
	Notes         11,072,320         +8,046,525           Notes         189,472         +15,383           Coln         6,327,404,182         -71,634,295	Back of Cyprus	U.S. \$50,000,000	Share	capital immediately following the Placing
	ISSUE DEPARTMENT	Bank of Scotland	Hyosung	Authorised Number Amount	Issued and fully paid Number Amount
	Limbificies 19,688,927,660 -596,045,525 Nilles in circulation 19,688,927,660 -596,045,525 Notes in Banking Department 11,072,320 +8,046,525	Caberk NA	(America), Inc (Recurporated with Animal Bability In the State of New York, U.S.A.)	Copies of the Prospectus relation	in Ordinary Shares of 30p each 144,629,882 £43,388,965 ng to the Placing will be available for collection only during normal
	19,900,000,000 -590,000,000	The Co-operative Bank 6.00 Maghraj Bank 121	Guaranteed Floating Rate Notes due 1996	business hours on any weekday	from the date of this notice up to and including 7th May 1996 from:
	Other Government securities         10,852,352,050         -1,257           Other Securities         3,067,437,984         +705,130,970           18,900,000,000         -560,000,000	Credit Lyonnels	For the three month interest	Millennium & Copthorne Hotels pic	International Limited Limited
	16,000,000 -360,000,000		Period 19th April, 1995 to 19th July, 1995 the Notes will carry an interest rate of	Victoria House, Victoria Ros Horley, Sorrey RH6 7AF	ad 60 London Wall 135 Bishopsgate London EC2M 5TQ London EC2M 3XT
	UK GILTS PRICES	and have been which have been at the	5.0525 per cent, per annum, with a Coupon Amount of U.S.	Company Announcements Office	o available only during normal business hours for collection from the e, the London Stock Exchange, Capel Court entrance, off Bartholomew
	None (123) 2 41 201 Contraction (1 an Operation of the	Nr W. Annual Industrial Land City Will W Annual Industrial City +- Dri dear and fine Notan Price 2 +- Dro due and New 0.3 8.500 Jay Day 31.30.4646 Index-United 04	\$766.23 per U.S. \$50,000 Note, payable on 19th July, 1998.	Lane, London EC2N 1HP from th	he date of this notice up to and including 7th May 1996. 22nd April, 1996
	Trues 154.pc 1995tz 1001 -2 1,150 M/3 M/3 27.9 1309 Trues 72.9c 2005tz 961a Excl 134.pc 1995tz 1001 -1 800 M/15 M/15 9,16 1290 Trues 74.pc 2005tz 971a	0.5 6.000 Jar Da7 31.161148 45 ar Wett (136.6) 112/ al 0.5 800 Apr 027 18.41750	Usted on the Lanamatority Book Dickneys		
Marian L.	Companies time 1908 302.5	6.6 2.000 Apr 045 22 18.21 1283 2pt 0519.29 149.29 0.5 1.50 Apr 047 12.1 12.1 134 0.4 1.50 Apr 2 Apr 2 18.12 1283 2pt 0519.29 1422 0.5 1.50 Jair 1.71 13.1 12.1 1314 0.4 2.000 Heat 11.2 1200 12.0 12.0 1316 12.0	Hong Kong Agent Bank		
	Trans Blace 1987## 10212 01 5,550 MT Set 21.2 1341 Trans Spc 2008 ## 10512	L2 1.250 SARS MARS 15.3 1351 24 174 17 1 174.8 1894 0.3 2,700 Fa2 And 3 14.2 1319 1 0.4 5.621 April 0.013 24 1349 24 1349 24 1349 24 1457 0.4 3.050 Fa16 And 72 1320 1 0.5 3,450 Mars Sars 14.3 1356 24 14.7 16 14.7 14.7 0.4 3.150 April 0.76 21.2 1321 1 0.5 3,450 Mars Sars 14.3 1356 24 14.7 12.0 14.7 14.7 0.4 3.150 April 0.76 21.2 1321 1 0.5 3,450 Mars Sars 14.3 1356 24 14.7 14.7 14.7 14.7 14.7 14.7 14.7 14.			· · · · · · · · · · · · · · · · · · ·
	Sach 94an 1994 104/3 0.1 1550 Jr19 419 13.12 1273 Tran 6 146 200	L2         1,250         Sates Mark         15.3         1507         1			
	1000 BLute 100011 10576 8.1 1,900 J/15 JILS 11.12 1941	(b) Figures in perentheness show RPI base for indexting, (e 0 months polor to leave) and have been adjusted to reflect rebeating of RPI to 100 in February 1867. Conversion factor	NOTICE TO HOLD		SUN LIFE GLOBAL PORTFOLIO (SICAV)
· · ·	Terms and an alway 100-1 07 1252 MVIS MVIS 14 HO 1000	rebening of RP1 to 100 in February 1987. Conversion factor 0.6 5,273 Jy12 Jy12 B.12 7245 3.945. RP1 for July 1995: 149.1 and for Fabruary 1996: 150.9.			Registered Office: 14 rue Aldringen, Luxembourg, R.C. Luxembourg B27526
	Loss 2pc 1999 11		United Microelectroni U.S.\$160,00	0,000	DIVIDEND ANNOUNCEMENT The Board of Directors announce that a dividend has been declared on each
	Conv Rpc 2000;         105%         0.3         5,353         963 Mi3         222 Low         Trans Rpc 2013;         90           Trans 13pc 2000         11063         0.3         3,177         14/4 4/14         8,121 229         Trans Rpc 2012;         95's           Trans 13pc 2000         11063         0.3         3,177         14/4 4/14         8,121 229         Trans Rpc 2012;         95's           Trans 14pc 2000         113%         0.1         970 Mi62 10/22         16.10 1206         Trans Rpc 2012;         95's           Trans 14pc 2000;         113%         0.3         7,400         Jaf 70a7         31,10 4946         Trans Rpc 2017;         98.1	0.7 800 Jy25 Je25 20.12 1322 0.6 9.500 Je7 De7 31.10 4992	1.25 per cent. Bonds due		of the below mentioned portfolios at the rate per share shown which will be paid on 10th May 1996 to the respective Shareholders of those portfolios as
		0.1 1,000 Je12 De12 8.11 1250 - Anies Day 10 and 2009 173 - 2 100 14/24 Se24 3793 -	Please note that we have made a alight com Notice to Hokiers of United Microelectronics 1.25% Bonds Due 2004" that was published	Corporation US\$160,000,000	recorded at the close of business on 31st March 1996. 9.67 cents (US) per share for Global Bond Portfolio
-	1700 Upt CDE 1	172601192762712	rected version reads as follows:		67 pf (German DM) per share for DM Bond Portfolio 1.10p (UK) per share for Haven Portfolio
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	Tress Bac 2011121	1.3 359 Aut Auf 22.12 1239 Deeper 3/25 tends	Common Shares in the manner describ December 26 of each year as the Regular I year the Company declares stock dividen	Exchange Record Date; and it in any	
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	Com 8 12 ac 2005	0.7 475 Apt Oct 21.3 1375 Del Her States 25/2 2808 12/28 59 Wrt Set 2103 -	"Description of Common Shares" on page The Company will replace one Entitlem	89 of the Offering Circular). ent Certificate with one Common	
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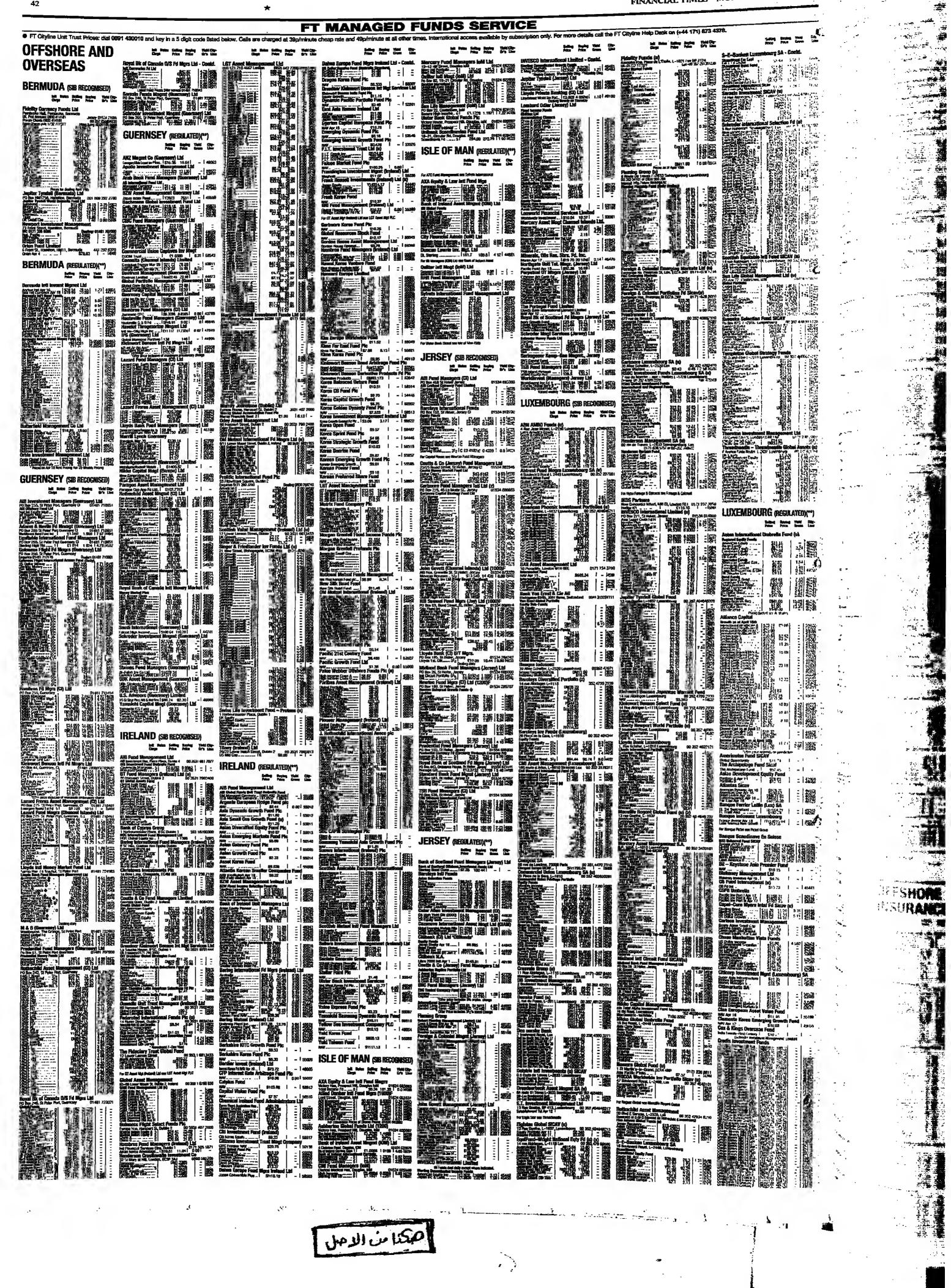
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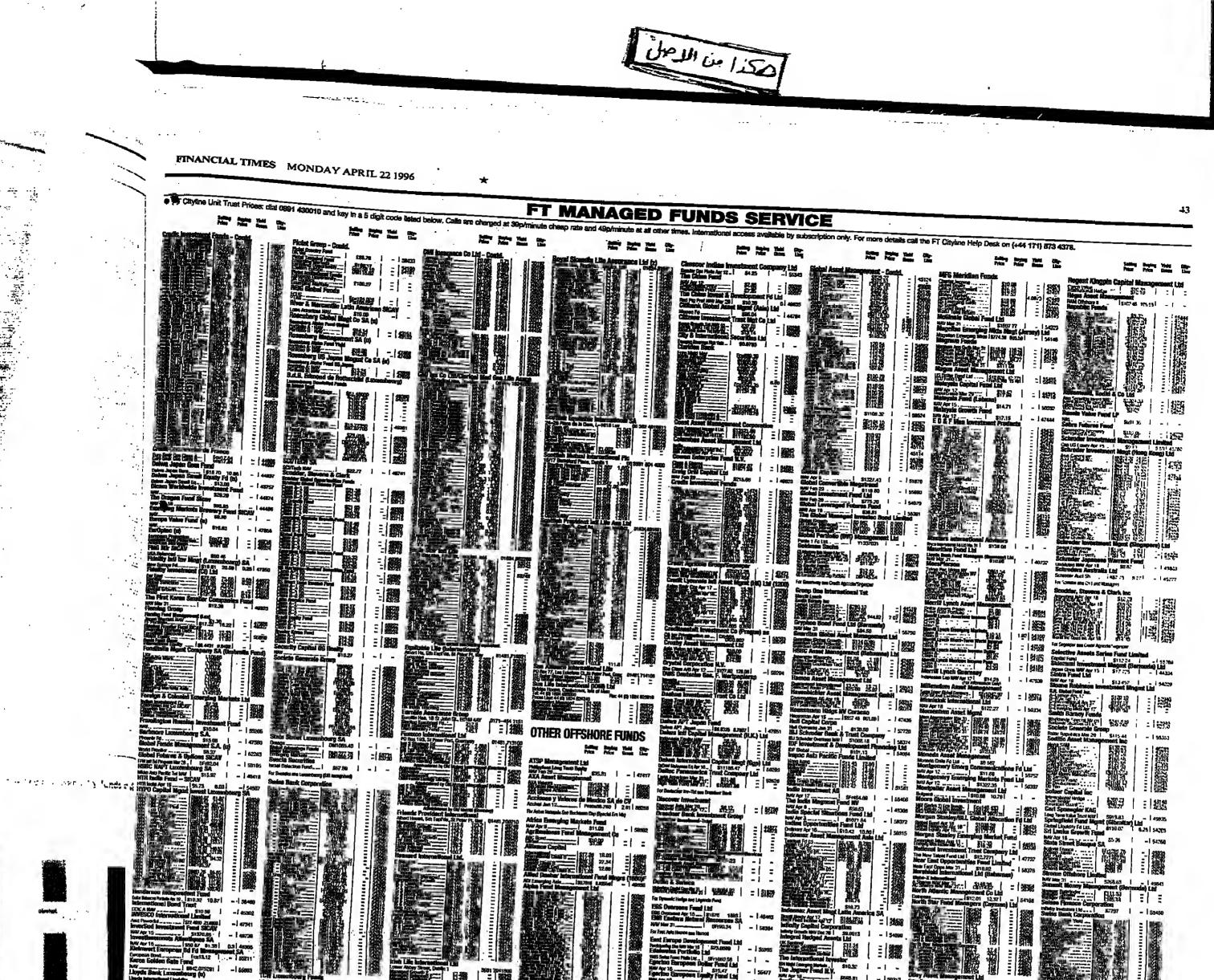
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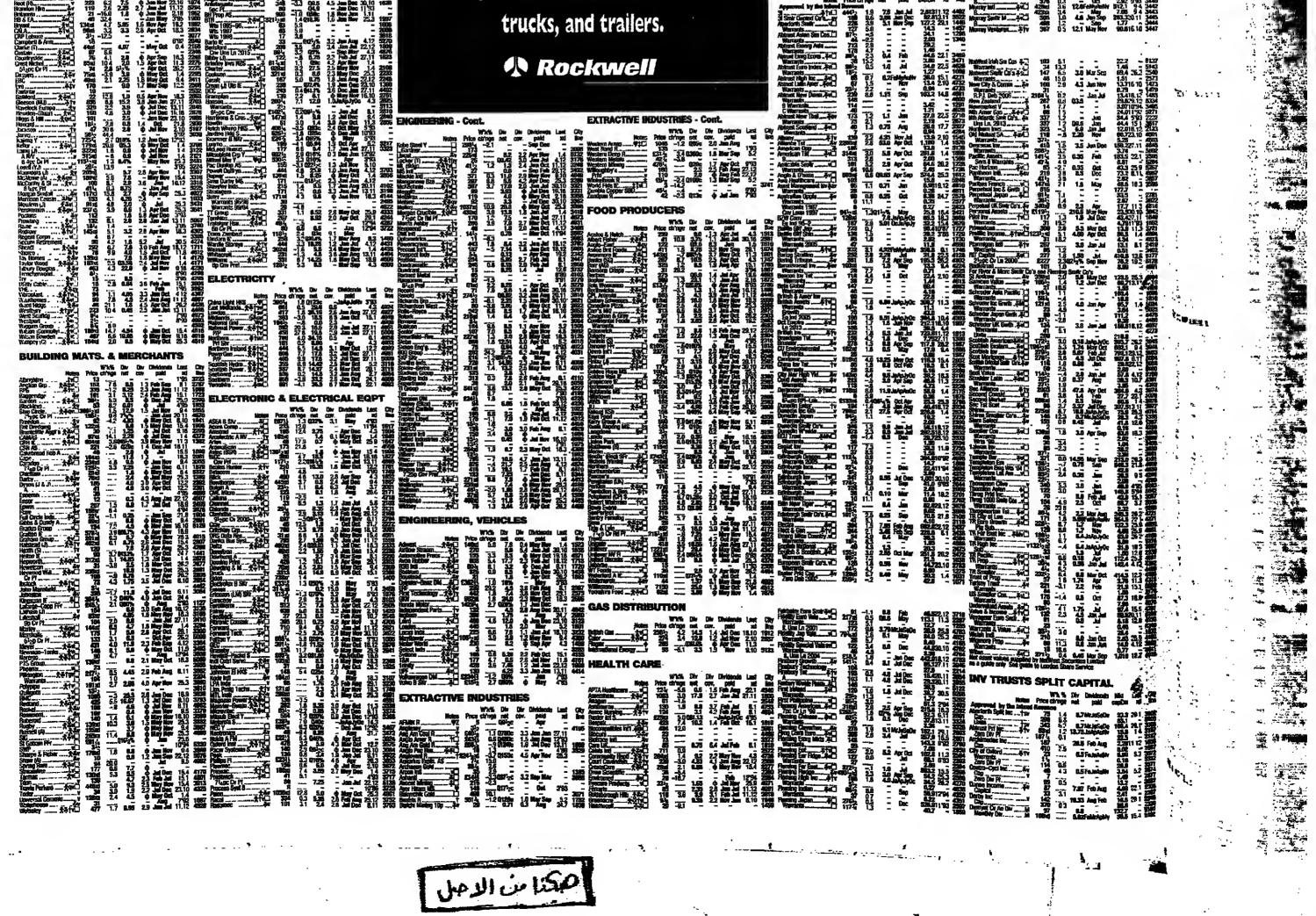
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FINANCIAL TIMES MONDAY APRIL 22 1996

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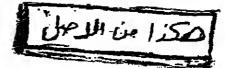
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Alf work maximum use 14 22 288 sr1 274 sr2       Sr1 274 sr2 </td <td>S5 Demons Grop         1.00         3.9         11         28         48-2         array array           S3-4         Demons         1.00         3.0         11         2140         924         474         624         +14           S5-5         Detailed         812         0.43         29444         30         294         224         414         6324         412         414         6324         412         324         412         412         412         642         314         167         162         412         412         412         412         412         412         412         412         412         412         412         412         412         412         412         412         412         413         412         412         413         413         413         414         613         612         416         413         416         414         413         413         414         413         414         413         414         414         414         414         414         414         414         414         414         414         414         414         414         414         414         414         414         414         <t< td=""><td><math display="block">\begin{array}{cccccccccccccccccccccccccccccccccccc</math></td><td>454, 354, Rest         Lov 3.1 is (100        </td><td>11% 10% trainet. 0.12 1.0 8 49 11/2 11% 11% 11% 11% 13% 24% 33% 25% 8.8 11 25 20% 30% 44% 15% 25% 8.8 11 25% 25% 30% 44% 15% 25% 25% 25% 25% 25% 25% 25% 25% 25% 2</td><td>- N - 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White the second - T -۰. 2. . . . . . . - 1945 1957 - 1957 - 25 -MC7 Can 8 05 3447508 28% 27% 27% -4, MS Cars 31 113 184, 184, 184, 184, 12 Mac Nill 0.60 7 13 13 12% 12% 28% 23% 23% 23% 23% Mac Nill 0.60 7 13 14 12% 12% 13% +24 Mac Nill 0.60 7 12 8% 8% 8% 8% -2% Mac Nill 0.60 13 48 83% 21% 23% 24% Mark 0.64 11 14 12% 12% 23% 24% Mark 0.65 13 680 25% 25% 22% +1% Mac Nill 0.65 13 680 25% 25% 22% +1% Mac Nill 0.65 13 680 25% 25% 30% +4 Mc Sath 1 168 74 71% 74% Mac Nill 0.65 12 15% 12% 12% 14% Mac Nill 0.65 12 15% 12% 23% 30% +1% Mc Sath R 0.56 12 15% 12% 13% 31 McCarme 0.18 47 157 12% 11% 11% Mat 0.18 47 157 12% 13% 34 Mac 0.18 47 157 12% 14% 14 4 -4 Mac 0.18 47 157 12% 14% 14 4 -4 Mac 0.24 15 142% 14% 14 14 -4 Mac 0.24 15 142% 14% 14 14 -4 Mac 0.24 15 12% 25% 25% 25% 25% 25% Mac 0.24 15 12% 12% 21% 25% 25% 25% 25% Mac 0.24 15 12% 21% 21% 21% 13% Mac 0.24 15 12% 21% 31% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 11% 11% Mac 0.24 15 12% 21% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% 21% -1% Mac 0.24 15 12% 21% 21% 21% 21% 11% -1% Mac 0.24 15 12% 21% 21% 21% 21% 11% -1% Mac 0.24 15 12% 21% 21% 21% 21% 11% 11% MCI Can 8 05 3441508 285 275 275 -4 - 24 - 44 11 12 28 - E - $\begin{array}{c} - \frac{16}{15} & - \frac{16}{15} & 57 & 5\frac{1}{2} & 5\frac{1}{3} & 5\frac{1}{3} & -\frac{1}{3} \\ 0.24 & 11 & 104 & 11^{14} & 104 & 11 \\ 0.02 & 47 & 641 & 128^{14} & 30 & 36 & -2 \\ 375 & 1816 & 30^{12} & 30 & 30^{1}_{12} & +\frac{1}{3} \\ 1 & 104 & 10 & 3174 & 55\frac{1}{3} & 55\frac{1}{3} & 55\frac{1}{3} & 55\frac{1}{3} \\ 1 & 104 & 10 & 3174 & 55\frac{1}{3} & 55\frac{1}{3} & 55\frac{1}{3} & 5\frac{1}{3} \\ 1 & 105 & 1\frac{1}{3} & 1\frac{1}{3} & 1\frac{1}{3} & 1\frac{1}{3} \\ 0.24 & 14 & 702 & 13\frac{1}{3} & 13\frac{1}{3} & 13\frac{1}{3} & -\frac{1}{3} \\ 4 & 06008 & 52^{14} & 51\frac{1}{3} & 51\frac{1}{3} & 5\frac{1}{3} \\ 1 & .72 & 11 & 1603 & 43\frac{1}{2} & 43\frac{1}{3} & 33\frac{1}{3} & \frac{1}{3} \\ y & 0.24 & 13 & 22000 & 24\frac{1}{2} & 24\frac{1}{3} & 34\frac{1}{3} & \frac{1}{3} \\ 1 & .108 & 12 & 2144 & 31\frac{1}{4} & 31\frac{1}{3} & 31\frac{1}{3} & \frac{1}{3} \\ 1 & .108 & 22 & 5551 & 31\frac{1}{2} & 30\frac{1}{2} & 30\frac{1}{4} & \frac{1}{3} \\ z & 27 & 732 & 29\frac{1}{3} & 20\frac{1}{3} & 20\frac{1}{3} & \frac{27}{3} \\ \end{array}$ Fail Grp Fair Co Fatimul FHP lat 1 - 19 12 Hill Ist Hill Marci Right A Right A Right An Rist Sector Fat Sector Fat Tomy Right Marciae Mencary 6 0.96 12 752 424ad41 5 417a -3 Marcal 0 1478 25 2.8 2.8 -1 Menca Air 22 2473 133a 133a 133a Methode A t0.15 17 15-2 of the three the deal fine - U -Micropute Micali 72 2201 1434 133 142 +3 36100098 p113 10710934 -34 16 47 2358 2338 2332 +34 - B -NAM AN M Michaelan 0.50 32 15 13 1212 1212 -12 Michaelan 0.52 35 67 305 301 303 +14 Million 176 p46<sup>3</sup>4 46<sup>3</sup>4 46<sup>3</sup>4 +<sup>1</sup>2 Milliondech 0.16 32 91 17<sup>1</sup>4 16<sup>3</sup>4 17<sup>1</sup>4 Mathbellel 12 2033 154 144 15 Mathbellel 12 2033 154 144 15 Mathem Co 0.34 15 21 10 d95 95 Nordine MI 0.80 11 596 26<sup>1</sup>2 2578 26<sup>1</sup>4 +<sup>1</sup>8 MolemA 0.06 21 1515 29<sup>1</sup>6 29<sup>1</sup>7 29<sup>1</sup>7 29<sup>1</sup>2 +<sup>1</sup>8 Monita for GLOB 23 Step 324, 32< - X - Y - Z -Syntantical U.S.2 9 112 134 164 16 -2 Syntantical 0.10 28 3720 245 235 235 -45 Syntantical 0.10 28 3720 245 235 235 -45 Syntantical 0.50 541 16 145 2145 -4 Syntantical 15 1029 34 27 3 -5 NAC Re 0.20 6 16 28<sup>1</sup>2028<sup>1</sup>2 28<sup>1</sup>2 -4 Nach Fach 0.72 16 719 16<sup>1</sup>4 dt8 16<sup>1</sup>4 -<sup>3</sup>8 Nat Compt 0.36 16 814 a23<sup>5</sup>9 22<sup>1</sup>8 22<sup>1</sup>4 -<sup>2</sup>4

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SATURDAY

Elections kick off in India

The world's biggest election begins in

days to elect the country's eleventh

India with the first of six staggered polling

parliament since independence. With an

officials supervising S00,000 ballot stations,

May. No political party is expected to form a majority alone. The Congress party.

the poll is a giant feat. It will end in late

electorate of 590m and more than 5m

which has ruled India for all but a fow

years since independence, is expected to

suffer heavy losses, while the Bh.uratiya Janata party, the Hindu nationalist and

main opposition party, looks set for gains.

The likely coalition partners will come

from regional, caste and leftist parties.

The ninth quadrennial United Nations

Conference on Trade and Development

convenes in South Africa, when delegates

will assess the changing role of the UN in an era of rapid economic globalisation. About 2500 participants, led by ministers.

are expected to attend the 14-day event,

Silk Cut Challenge Cup final, Wembley,

Whitbread Gold Cup steeplechase, Sandown Park racecourse, near London.

Quarterly Review of Personal Finance

Sierra Leone, Slovenia, South Africa,

Rugby League

Horse racing

FT Surveys

Public holidays

SUNDAY

(LIK only).

London.

UN trade role reviewed



27



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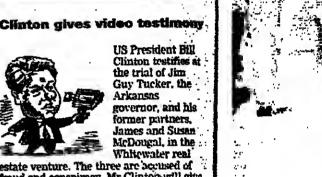
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1445 estate venture. The three are accused of fraud and conspiracy. Mr Clinton will give his testimony from the White House, on video tape.

Motor racing Formula One European grand prix. Nürburgring, Germany.

**Public holidays** Bangladesh, Malaysia, Singapore, Also, depending on the sighting of the moon. Egypt, Tunisia, Turkey.

#### Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

W E E K

#### MONDAY

48

#### Palestinian council convenes

22

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ministers. The system would provide for

member states that exceed their quotas in one year to have their quotas cut by a

proportional amount the following year.

reducing the permitted size of drift nets, although agreement is unlikely. The

of fish imports permitted from non-EU countries and debate the need to reduce

EU members' fleet capacity.

**King Sihanouk in Paris** 

King Norodom Sihanouk of Cambodia

begins a four-day official visit to Paris.

aimed at reinforcing political, economic

is due to join the Asean group of south-

Cambodia, which belongs to the "Franco-

phonie" organisation of French-speaking

is keen to help rebuild the country's

to reinforce the status of French in

countries due to hold a summit in

A Cuban trade delegation addresses a

seminar in London organised by the

Caribbean trade advisory group to the

British Overseas Trade Group, Ministry

trade and investment following the US

potentially extending sanctions to other

Hanover industrial fair starts

The Hanover industrial fair, the world's

expected to attract about 300,000 visitors

largest, opens its doors to show off

products exhibited by 7,221 companies

from 68 countries - a record turnout

decision to tighten its embargo by

countries dealing with Cuba.

(to April 27).

officials and industrial leaders will discuss

Vietnam later this year.

Cuba mission to UK

and cultural links with France, Cambodia

Also to he discussed are proposals for

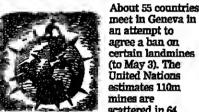
The 450-strong Palestinian National Council meets in Gaza in what will be the first PNC meeting on Palestinian land. It will also be the first time that the Israeli-Palestinian peace accords are submitted to democratic discussion by Palestinian representatives both inside and outside the Palestinian territories. However, the Syria-based Democratic Front for the Liberation of Palestine, which wants Israel to remove all preconditions oo their return from exile, says its 32 members may boycott the event. The council will discuss removing articles from the Palestinian charter calling for the state of Israel's destruction. This is a ceotral demand by Israel for continuing the peace process.

#### **IMF** discusses debt policy

The policymaking "interim committee" of the International Monetary Fund meets in Washington. Topics under discussion include the world economy, standards for national economic data, poor country debt and ways to deal with Mexican-style financial crises. The most contentious issue is expected to be a proposal by the IMF and the World Bank to tackle the debt burdens of eight to 20 of the world's poorest and most heavily indebted countries. Some finance ministers on the committee are expected to argue that the IMF and Bank are putting too much of the onus to contribute to the initiative on individual creditor governments rather than on the organisations themselves.

**Rifkind fights EU over beef** Malcolm Rifkind, the British foreign secretary, will press the case for the early lifting of a worldwide ban on British beef when he meets EU foreign ministers. Mr Rifkind will make the case that the ban is not based on scientific evidence and should therefore be lifted. On Tuesday, Douglas Hogg, the British agriculture minister, will meet Franz Fischler, the EU commissioner for agriculture, in Brussels. They are expected to discuss UK plans for a selective slaughtering campaign in Britain designed to restore consumer confidence in beef.

#### **UN acts against landmines**



scattered in 64 countries, killing or maiming 20,000 civilians each year. Humanitarian groups and an increasing number of governments want all anti-personnel landmines banned. However, this is opposed by countries saying they are needed militarily.

#### **EU** debates fish quotas

A flexible quota system will be among the main topics discussed at a meeting in Brussels of European Union fisheries



As elections in Israel loom, Shimon Peres, the prime minister, faces growing pressure to implement a ceasefire between israel and Hizboliah in Lebanon

#### TUESDAY

#### OAS conference on terrorism An inter-American conference on terrorism opens in Peru. Sponsored hy the council will set tariff levels on the quotas Organisation of American States, the meeting is expected to be attended by interior ministers from all member countries. A curious absentee from the guest list is Ketin Vidal, the Peruvian general responsible for capturing the continent's most notorious terrorist of recent years - Abimael Guzman, the founder of the Maoist group which has

ravaged Peru since the 1980s.

east Asian countries next year and France Saleroom war-shattered economy. France also wants

The most highly charged auction of the year opens in the evening at Sotheby's in New York the start of the dispersal of about 1,200 objects from

the Fifth Avenue apartment of Jacqueline Kennedy Onassis. Most of the items for sale have little artistic value. However, so great is the popular desire to own something which once belonged to the most famous American woman of the century thet a \$5m (£3.2m) estimate for the collection eems modest. Some believe this figure will be exceeded tenfold.

#### Greek PM visits Major, Bruton

Costas Simitis, the Greek prime minister, visits London and Dublin for talks with his UK and Irish counterparts, John Major and John Bruton. Mr Simitis, who took over in January, wants backing for Greek efforts to persuade Turkey that the International Court at the Hague should

ECONOMIC DIARY

proposals oblige retailers to show the selling price of the item and the price per unit. There will be exemptions and a grace period for certain products and smaller businesses. Ministers will also discuss priorities for consumer policy and consumer access to justice. **Public holidays** Belarus, Israel, Turkey.

eastern Aegean.

EU acts on pricing

23

WEDNESDAY

WTO in banana dispute

settle the quarrel over sovereignty in the

A new pricing system for packaged goods

is likely to be approved by EU consumer

affairs ministers in Luxembourg. The



American banana producers for an independent panel to rule on the EU's banana import regime. It is claimed the regime discriminates against "dollar" bananas in favour of more expensive lower-quality fruit from former colonies and overseas territories of EU states in Africa, the Caribbean and the Pacific.

Yeltsin signs China deals A project to transport Siberian gas to consumers in China is among the

commercial co-operation agreements to be signed when Boris Yeltsin, the president of Russia, visits Beiling (to Apr 25). Mr Yeltsin will also be pushing the interests of Russian contractors in China's \$30bn Three Gorges dam project. In Shanghai, he will initial an agreement with China, Kazakhstan, Kyrgyzstan and Tajikistan on improving military consultation on border issues.

#### Sect leader on trial

The Tokyo district court opens the first hearing in the trial of Shoko Asahara, the leader of the mystical sect Aum Shinrikyo. Asahara is accused of masterminding last year's nerve gas attack on the Tokyo subway, in which 12 people died and more than 5,000 became ill.

#### Football

The countdown to the finals of the European football championship continues with a "friendly": England v Croatia, Wembley stadium, London.

Public holidays Armenia, Israel, Niger, Sudan.

THURSDAY

#### WTO telecoms deadline

25

The deadline falls for tabling final market-opening proposals in World Trade Organisation talks on liberalising the global telecommunications markets. Fifty-one countries are taking part in the Geneva talks, which are due to end on April 30 and expected to go to the wire as western nations, led by the US, try to extract the maximum concessions from developing countries in Asia and Latin America. The US, in particular, says it needs a "critical mass" of other countries to open up their markets to foreign firms.

#### Public holidays

FRIDAY

 $\mathbf{24}$ 

Australia, Cook Islands, Egypt, Iceland. Italy, New Zealand, Portugal, Swaziland, Tonga, Western Samoa. Also, depending on the sighting of the moon. Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, United Arab Emirates.

Peru gas deal on line Lengthy negotiations between the Peruvian government and a Shell-Mobil consortium are scheduled to culminate in an announcement on the vast Camisea natural gas deposits in the Cuzco department. Shell discovered the deposits almost a decade ago, but progress has been hampered by political, economic and logistical problems. The Camisea fields contain gas and liquid hydrocarbons equivalent to about 2.4bn barrels of off around six times Peru's proven oil reserves.

Quarterly Review of Personal Finance (UK only).

Public holidays Tanzania.

FT Survey



 $\mathbf{26}$ 

Clinton testifies at . the trial of Jim Guy Tucker, the Arkansas governor, and his former partners, James and Susan McDougal, in the :

 $\mathbf{28}$ 

#### Other economic news

Monday: Britain's M4 money supply growth is expected to have slowed last month but it is still thought to be above the government'a target rate.

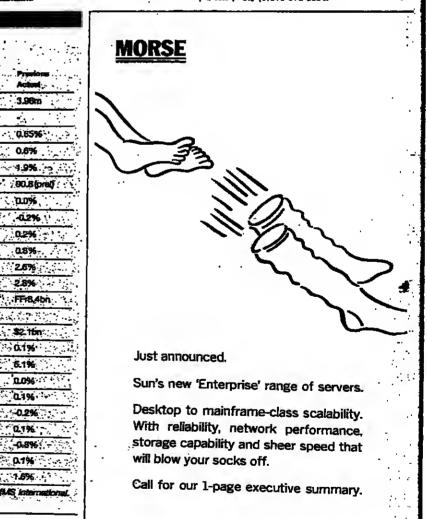
Tuesday: The Confederation of British Industry's latest industrial trends survey will provide a snapshot of the health of UK manufacturing. The US trade deficit is though to have narrowed between January and February.

Wednesday: French industrial productioo is forecast to have grown slightly last month. Economists expect that US durable goods orders increased last mooth after Feb ruary's decline.

Thursday: The recent pick-up in UK retail sales is expected to have gathered more momentum last mooth Finland's unemployment rate is forecast to have faller slightly last month. Spanish industrial output is thought to have risen in February. Friday: France's trade hal-

ance is thought to have con-tracted in February. German producer prices, due to be published this week, are thought to have risen slightly between February and March, while west German annual consumer price inflation is thought to have fallen slightly this month.

)ey telessed	Country	Economic Statistic	Nedlan Forwalst	Previous Actual	Day Released	Country	Statistic	Nodes Forece		Actual
Mon	US	1st our housing vacancies	-	-	Thur	US	Mar existing home sales	•	· · · · ·	3.96m
April 22	Japan	Feb overall pers consump expend**	2.6%	3.4%	April 25	US ·	Initial claims w/s April 20	360,00	<b>0</b> : -	
	Japan .	Feb pers cons experid (workers)**	-	2.3%		France	Mar consumer price indx finat"	0.6%		0.65%
	UK.	Mar M4"	0.7%	0.4%	· · ·	UK	Mar retail seles*	0.4%		0.6%
	UK j	Mar M4**	9.5%	9.9%		-UK	- Mar retail cales**	2.1%	N	1.9%
	UK	Mar M4 landing	£6.0bn	£7.3bn	Fri	US .	Apr Michigen sentiment ini	. <del>.</del> • ;		. 80.B (pr
	UK	Mar bdg soc net new commit'ms	£3.5bn	£2.9bn	April 25	Japan' .	Apr cons price indx ex-perishables"	0.0%		0.0%
lues	US	Feb trade bel: goods & services	-\$8.8bn	-\$10.3bn	·	Japan	Mar consumer price indx (mation)**	0.0%		0.2%
oril 23	US .	Feb goods & services export (BoP)	\$67.7bn	\$86.6bn	:	Japan	Mar cons price incx ex-perishables"	0.2%		0,2%
	US	Feb goods & services import (BoP)	\$76.5bn	\$78.9bn	: <u>···</u> .	Japan .	Mar reter sales"	1.8%		0.8%-
	US	Mar export price indx	-	-0.2%		Jepan	Mar inclustrial prod. prelimit	-4.7%		2.6%
	US	Mar Import price indx	-	-0.5%	·	Japan	Mar shipments, prelimit		- 23 ( )	2.8%
	US ·	Johnson Redbook April 20	-	-6.1%		France	Feb trade balance?	FF17.8	m	FF18,4
	Japan	Feb coincident indx	100.0%	100.0%	During t	he wook	and the second second second			1.1.7.3
	Japan	Feb leading diffusion indu	80.0%	80.0%	· · · ·	Japan	Apr trade balance (1st 10 days)			\$2.16n
	UK	Mar. CBI industrial trends	•	n/a		Japan,	Mar supermariest sales			-0.1%
	Spain	4th qtr wage rises"	4.4%	4.4%		Japan	Mar dept store sales*			6.1%
	Canada	Mar leading indicator*†	0.4%	0.6%	· · · · ·	Germany	Mar producer price Indx, West	0.2%		0.0%
Ved	US	Mar durable orders	0.4%	-2.3%		Gérmany .	Mar PPt, pan-Germany	0.2%		0.1%
oril 24	US	Mar durable shipments	<b>.</b>	1.5%		Germany	Mar PPL pan-Germany	0.096	12-13	0.2%
	France	Feb industrial production*	0.4%	0.5%		Germany	Mar Import prices	0.3%		0.1%
	France	Feb manufacturing production"	0.3%	0.4%		Germany .	Mar Import prices	0.4%		-0.8%
	France	'95 gross domatic prod, pretim	2.5%	2.5%	-	Germany	Apr pretin cost of Wing, West	0.2%		0.1%
	Canada	Feb retail sales"†	0.4%	0.3%		Germany	Apr preim cost of living, West	1.4%	·	1.5%



ACROSS	DOWN
1 A lever used to take the lid off (6)	1 One with rooted objections to the status quo? (7)
4 Enters uninvited and is turned out (8)	2 One who bows and scrapes? (9)
9 Job centre cuts out shumps (6) 10 High-pitched river battle (8)	3 The charm of a quiet carillon (6)
12 Ball for a Pekingese? (8)	5 Well-dressed beef (4)
13 He may make a score or inter-	6 Uneasy, lacking support (5) 7 Sailor's musical box? (5)
pret one (6)	
15 Lady love is after the money (4)	8 New apron's accepted right for a Scotsman to wear (7)
16 Slump causing gloom (10)	11 Caricature in strip (4,3)
19 Fatted calf was just the ticket for the prodigal son (6,4)	14 Old warship with three sets of propellers (7)
20 It takes a lot of beating (4)	17 River seen to be there when
23 Yarn that's embroidered (6)	needed (2,7)
25 Did some relief work (8)	18 Sees fair play in nurseries (8)
27 Unfortunately I'd a purse lifted (8)	19 Get someone else to do the fighting (7)
28 The buck stops here (6)	21 She's known to sing and moan badly (7)
29 Go off and become a cynic,	22 To practise with wisdom -
perhaps (4,4)	22 IU Diacuse with wisdout -
30 Let Eva twirl in the dance (6)	that's the job of a doctor (6)
	24 It's a mistake to be led astray with gold (5)
	26 Live with a socially accept-
	able boyfriend (4)

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#### MONDAY PRIZE CROSSWORD No.9,049 Set by DANTE

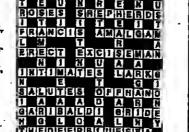
A prize of a Peilkan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 2, marked Monday Crossword 9,045 on the envelope, to the Financial Times, I Southwark Bridge, London SEI SHL. Solution on Monday May 6, Please allow 28 days for delivery of prizes.

Winners 9,088

W.G.H. Tucker, Dagenham, isser P. Adams, London SE1 Pam James, Keston, Kent D. Kelmanson, Hadley Wood, Herts Diane Revzin, Brussels, Bel-

gium N.J. Summerhayes, Camberley, Surrey

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Solution 9,038

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